COMMISSIONERS COURT

DEC 28 2020

Acknowledged

REQUEST FOR AGENDA PLACEMENT FORM

Submission Deadline - Tuesday, 12:00 PM before Court Dates

SUBMITTED BY:

TODAY'S DATE: December 17, 2020

DEPARTMENT: County Judge's Office

SIGNATURE OF DEPARTMENT HEAD:

REQUESTED AGENDA DATE: 12/28/2020

SPECIFIC AGENDA WORDING: Acknowledgement of Pecan Valley Centers for Behavorial & Development Healthcare Financial Statements for Fiscal Year Ending August 31, 2020

PERSON(S) TO PRESENT ITEM: County Judge

SUPPORT MATERIAL: (Must enclose supporting documentation)

TIME: 5 min

(Anticipated number of minutes needed to discuss item)

ACTION ITEM: ______
WORKSHOP ______
CONSENT: ______
EXECUTIVE: ______

STAFF NOTICE:

COUNTY ATTORNEY:
AUDITOR: ______
PERSONNEL: ______
BUDGET COORDINATOR:
IT DEPARTMENT:
PURCHASING DEPARTMENT: ______
PUBLIC WORKS: ______
OTHER: ______

***********This Section to be Completed by County Judge's Office***********

ASSIGNED AGENDA DATE: ______

REQUEST RECEIVED BY COUNTY JUDGE'S OFFICE ______

COURT MEMBER APPROVAL ______ Date December 17, 2020

5

PECAN VALLEY CENTERS

FOR BEHAVIORAL & DEVELOPMENTAL HEALTHCARE

Financial Statements

August 31, 2020

Certificate of Board Approval
Year Ended August 31, 2020

I, Honorable Elizabeth Lawrence, Board Chair of the Board of Trustees of Pecan Valley Centers for Behavioral & Developmental HealthCare, do hereby certify that this accompanying audit report for fiscal year ended August 31, 2020, from Eide Bailly, LLP was reviewed and approved at a meeting of the Board of Trustees held on the 20th day of November, 2020.

Elizabeth Lawrence

Honorable Elizabeth Lawrence
Chair, Board of Trustees

November 20, 2020

Date

EideBailly.

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Trustees
Pecan Valley Centers for Behavioral & Developmental HealthCare
Granbury, Texas

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Pecan Valley Centers for Behavioral & Developmental HealthCare (the Center) as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2020, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Eide Bailly LLP

Abilene, Texas
November 19, 2020

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. All of the funds of the Center can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

  The governmental fund statements provide a detailed short-term view of the Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Center's programs.

  The basic governmental fund financial statements can be found on pages 15-20 of this report.

  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 and can be found on pages 19-20.

- **Fiduciary funds** - Fiduciary funds are used to account for resources held by the Center for the benefit of consumers. Fiduciary funds are not reflected in the government-wide financial statements since the resources of these funds are not available to support Center operations.

  The basic fiduciary fund financial statement can be found on page 21 of this report.

Notes to the financial statements. The notes 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 22-36 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain statistical information that is required by the Texas Health and Human Services Commission's Guidelines for Annual Compliance Audits of Community MHMR Centers. The statistical information can be found on pages 37-45 of this report. In addition, the schedule of expenditures of state and federal awards is presented as supplementary information.

Governmental activities increased the Center's net position by $2,088,945. Key elements are as follows:

Governmental Activities
Changes in Net Position

	Governmental Activities	
	2020	2019
Program Revenues		
Charges for services	$ 12,331,314	$ 10,448,442
Operating grants and contributions	12,864,901	10,998,421
General Revenues		
Investment earnings	124,742	249,933
County contributions	222,518	171,410
Other revenues	272,063	172,233
Total revenues	25,815,538	22,040,439
Expenses		
Behavioral Health	16,712,134	14,489,573
Intellectual & Developmental Disabilities	7,014,459	6,477,101
Total expenses	23,726,593	20,966,674
Change in Net Position	2,088,945	1,073,765
Net Position - Beginning	13,311,940	12,238,175
Net Position - Ending	$ 15,400,885	$ 13,311,940

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the final budget amounts and actual results for the general fund can be briefly summarized as follows:

- Managed Care, Medicaid, and Medicare revenues exceeded budget by $542,538 due to changes in billing and improvements in collection procedures.
- Contributions came in over budget due to additional in-kind contributions received related to the new Private Psychiatric Bed program running for its first full year.
- State program revenues exceeded budget by $555,762 due to new programs started in the current year, and additional funding for pandemic assistance.
- Fringe benefits were under budget by $968,843 due to decreases in insurance premiums related to changing providers, and overall decrease in hospital visits related to pandemic.
- Professional and consultant fees came in over budget by $307,287 due to the Center's increased need for doctors and nurse practitioners, for new grant funds received in the current year.
- Occupancy expenses came in over budget by $767,199 due to the rental of a new facility and increased in-kind rent that was not budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The Center's investment in capital assets for its governmental activities as of August 31, 2020, amounts to $1,295,304 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and vehicles.

Governmental Activities
Capital Assets

	2020	2019
Land	$ 203,656	$ 203,656
Buildings and improvements	2,701,796	2,701,796
Furniture and equipment	1,255,540	1,255,540
Vehicles	1,100,883	1,040,201
Cost of capital assets	5,261,875	5,201,193
Less accumulated depreciation	(3,966,571)	(3,817,401)
Net investment in capital assets	$ 1,295,304	$ 1,383,792

Additional information on the Center's capital assets can be found in footnote 8 to the financial statements.

Long-term debt. At the end of the current fiscal year, the Center had a liability of $404,320 for compensated absences, an increase of $22,405 from the prior year. The Center also had a liability of $900,000 for the loan under the Paycheck Protection Program, received in April 2020.

Additional information on the Center's long-term obligations can be found in footnote 9 to the financial statements.

Pecan Valley Centers for Behavioral & Developmental HealthCare

Statement of Net Position (Exhibit A-1)
August 31, 2020

	Primary Government	Component Unit
	Governmental Activities	Pecan Valley Facilities, Inc.
Assets		
Cash and cash equivalents	$ 3,525,206	$ 179,960
Investments	11,122,857	258,253
Accounts receivable, net	1,683,516	-
Prepaid expenses	108,956	-
Capital assets, net:		
Nondepreciable	203,656	243,834
Depreciable	1,091,648	2,916,835
Total assets	17,735,839	3,598,882
Liabilities		
Accounts payable	512,115	-
Due to other governments	221,707	-
Accrued salaries and benefits	261,709	-
Unearned program revenues	35,103	-
Current maturities of long-term debt	506,583	-
Noncurrent liabilities		
Compensated absences - due in more than one year	404,320	-
Long-term debt, less current maturities	393,417	-
Total liabilities	2,334,954	-
Net Position		
Investment in capital assets	1,295,304	3,160,669
Unrestricted	14,105,581	438,213
Total net position	$ 15,400,885	$ 3,598,882

See Notes to Financial Statements

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
				Primary Government	Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Pecan Valley Facilities, Inc.
	$ 7,706,036	$ 11,815,867	$ -	$ 2,809,769	
	4,625,278	1,049,034	-	(1,340,147)	
	-	-	-	-	
	12,331,314	12,864,901	-	1,469,622	
	$ 12,331,314	$ 12,864,901	$ -	1,469,622	
	$ 208,233	$ -	$ -		$ 99,500
	$ 208,233	$ -	$ -		99,500
General Revenues					
Investment earnings				124,742	2,995
County contributions				222,518	-
Other revenues				272,063	-
Total general revenues				619,323	2,995
Change in Net Position				2,088,945	102,495
Net Position - Beginning				13,311,940	3,496,387
Net Position - Ending				$ 15,400,885	$ 3,598,882

Total Fund Balances	$ 15,079,689
Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	1,295,304
Certain assets, such as a portion of Medicaid Administrative Claiming, are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. Deferred inflows of resources recognized in the government-wide financial statements results in an increase to net position.	330,212
Long-term liabilities for notes payable ($900,000) and compensated absences ($404,320) are accrued in the Statement of Net Position but they are not due and payable out of current resources and therefore are not reported as liabilities in the governmental fund balance sheet.	(1,304,320)
Net position of governmental activities	$ 15,400,885

Pecan Valley Centers for Behavioral & Developmental HealthCare

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund
to the Statement of Activities (Exhibit B-4)
Year Ended August 31, 2020

Net change in fund balances - governmental fund	$ 3,013,270
Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated and depreciated over their useful lives. Thus, net position is decreased by the amount by which depreciation ($164,974) exceeds capital outlays ($87,020) in the current period.	(77,954)
In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of assets disposed.	(10,534)
Governmental funds report debt proceeds as financing sources when debt is first issued, whereas these are reported as long-term liabilities in the statement of net position. The net effect of reclassing debt proceeds of $900,000 is to decrease net position.	(900,000)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. This is the net increase in deferred inflows of resources.	86,568
Payment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the net decrease in accrued compensated absences.	(22,405)
Change in net position of governmental activities	$ 2,088,945

Pecan Valley Centers for Behavioral & Developmental HealthCare

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund

(Exhibit B-5)

Year Ended August 31, 2020

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget
Expenditures				
Current				
Personnel	$ 11,551,906	$ 11,551,906	$ 11,504,431	$ 47,475
Fringe benefits	4,081,272	4,081,272	3,112,429	968,843
Travel and training	530,623	530,623	389,282	141,341
Professional and consultant fees	3,078,732	3,078,732	3,386,019	(307,287)
Consumable supplies	138,297	138,297	176,404	(38,107)
Pharmaceutical	362,099	362,099	473,519	(111,420)
Laboratory costs	63,222	63,222	39,839	23,383
Non capital equipment, repairs, and rent	64,328	64,328	83,408	(19,080)
Occupancy	1,969,284	1,969,284	2,736,483	(767,199)
Telephone and postage	370,616	370,616	391,375	(20,759)
Vehicle operations and insurance	100,340	100,340	113,883	(13,543)
Client support costs	691,563	691,563	836,813	(145,250)
Insurance	17,642	17,642	49,234	(31,592)
Other	234,519	234,519	246,095	(11,576)
Total current expenditures	23,254,443	23,254,443	23,539,214	(284,771)
Capital outlay	215,814	215,814	87,020	128,794
Total expenditures	23,470,257	23,470,257	23,626,234	(155,977)
Excess of Revenues Over Expenditures	-	-	2,113,270	2,113,270
Other Financing Sources				
Proceeds from PPP loan	-	-	900,000	900,000
Total Other Financing Sources	-	-	900,000	900,000
Net Change in Fund Balance	-	-	3,013,270	3,013,270
Fund Balance, September 1	12,066,419	12,066,419	12,066,419	-
Fund Balance, August 31	$ 12,066,419	$ 12,066,419	$ 15,079,689	$ 3,013,270

See Notes to Financial Statements

Note 1 - Reporting Entity

Pecan Valley Mental Health Mental Retardation Region dba Pecan Valley Centers for Behavioral & Developmental HealthCare (the Center) is a public entity which was established under the Texas Mental Health and Mental Retardation Act of 1965 and organized under Chapter 534, Title 7 of the Texas Health and Safety Code. This act provided for the creation of local boards of trustees. The Center's current board of trustees was appointed by the Commissioner's Courts of Parker County, Erath County, Somervell County, Hood County, Johnson County and Palo Pinto County, Texas; to develop and implement community-based behavioral health care services to persons with mental illness, intellectual and developmental disabilities, and chemical dependency. The Center is governed by an independent board; has the authority to make decisions; appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. The Center is not included in any other governmental "reporting entity" as defined in Section 2100, codification of Governmental Accounting and Financial Reporting Standards.

In evaluating how to define the Center, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in the GASB Statements No. 14, *The Financial Reporting Entity*, as amended. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with primary government. Based on these criteria the Center has the following component unit at August 31, 2020:

Pecan Valley Facilities, Inc., (PVF) is a non-profit corporation established under the Texas Non Profit Corporation Act and has tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The articles of incorporation of PVF provide that it perform the functions and purposes of the primary government in providing mental health and mental retardation services and that it be operated exclusively for the benefit of and in conjunction with the primary government. The primary function of PVF is to own real estate which is in turn leased to the primary government. PVF elects its own board and establishes rental rates for these leased assets. PVF exists for the exclusive benefit of the primary government; accordingly, for financial reporting purposes, PVF is reflected as a discretely presented component unit in the government-wide financial statements. Financial information for PVF may be obtained at the office of 2101 W. Pearl St., Granbury, Texas 76048.

Note 2 - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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 to external users. The Center does not have any business-type activities.

The Center reports the following major governmental fund:

The general fund is the Center's primary operating fund and 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:

The Agency Fund, a fiduciary fund type, includes assets held for clients of the Center. The fund is purely custodial (assets equal liabilities) and does not involve the measurement of the results of operations.

When both restricted and unrestricted resources are available for use, it is the Center's policy to use restricted resources first, then unrestricted resources as they are needed. Additionally, the Center would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Note 4 - Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

Cash and cash equivalents for the Center and PVF include amounts in demand deposits as well as short-term investments (certificates of deposit and money market funds) with a maturity date of twelve months or less when purchased.

Investments

Investments in local government investment pools are stated at amortized cost for the Center and PVF.

Accounts Receivable

Accounts receivable from patients and insurance companies for services rendered are reduced by the amount of such billings deemed by management to be ultimately uncollectible. The Center writes off insurance receivables after 90 days and collection attempts have been exhausted. The Center has recorded an allowance against insurance receivables of $100,000 at August 31, 2020. Accounts receivable from cost reimbursement contracts are determined to be 100% collectible based on past collection history from various granting agencies.

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, 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.

Compensated Absences

The Center provides compensated absence benefits to its employees. Compensated absences can be accumulated for two years (two weeks per year, or a total of 160 hours) by employees of the Center. Compensated absences are vested and, upon termination, paid at the current salary. Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Notes payable are reported at the original note value, less any principal payments made. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Fund Balance

In the fund financial statements, the governmental fund reported the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as Nonspendable at August 31, 2020 are nonspendable in form. The Center has not reported any amounts that are legally or contractually required to be maintained intact.

Assigned – includes amounts constrained for a specific purpose by a governing board or by an official that has been delegated authority to assign amounts.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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.

Tax-Exempt Status

The Internal Revenue Service has issued a determination letter dated August 4, 2011, 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.

At August 31, 2020, PVF has the following investments and maturities:

Type of Investments	Amortized Cost	Percentage of Total	Credit Rating	Maturities Less Than One Year
TexPool	$ 258,253	100.00%	AAAm	$ 258,253

The Center's investment policy and state statute generally permit the Center to invest in certificates of deposit, public funds investment pools, obligations of the United States or its agencies and instrumentalities, and obligations of states, agencies, countries, cities, and other political subdivisions having been rated as to investment quality by a nationality recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

Interest rate risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Center manages its exposure to declines in fair values by limiting the maximum allowable stated maturity of U.S. Government backed securities to ten years and weighted average maturity of investment pools to not exceed 18 months. TexPool manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 90 days. Center investment policy requires maturities of investments to correspond with projected cash flow needs.

Credit risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law and Center policy limits investments in public funds investment pools and money market mutual funds to those rated no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service. At August 31, 2020, the Center was not significantly exposed to credit risk. The Center's investments are rated as to credit quality as shown in the above table.

Concentration of credit risk – This is the risk that of loss attributed to the magnitude of the Center's investment in a single issuer. At year end, the Center's exposure to concentration of credit risk is shown in the table above as the percentage of each investment type.

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. 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.

The component unit, PVF, has no formal investment policy at August 31, 2020.

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 has no recurring fair value measurements as of August 31, 2020 as the Center's investments are not measured at fair value but rather are measured at amortized cost.

Note 8 - Capital Assets

Capital asset activity is recorded in the government-wide financial statements. A summary of changes in capital asset balances for the year ended August 31, 2020 in the governmental activities is as follows:

Primary Government	Balance September 1, 2019	Additions	Retirements	Balance August 31, 2020
Governmental Activities				
Nondepreciable assets				
Land	$ 203,656	$ -	$ -	$ 203,656
Total nondepreciable assets	203,656	-	-	203,656
Depreciable assets				
Buildings and improvements	2,701,796	-	-	2,701,796
Furniture and equipment	473,807	-	-	473,807
Computer equipment	563,758	-	-	563,758
TIF Grant capital equipment	217,975	-	-	217,975
Vehicles	1,040,201	87,020	(26,338)	1,100,883
Total depreciable assets	4,997,537	87,020	(26,338)	5,058,219
Less accumulated depreciation				
Buildings and improvements	1,779,584	60,411	-	1,839,995
Furniture and equipment	443,476	17,651	-	461,127
Computer equipment	481,199	24,104	-	505,303
TIF Grant capital equipment	217,974	-	-	217,974
Vehicles	895,168	62,808	(15,804)	942,172
Total accumulated depreciation	3,817,401	164,974	(15,804)	3,966,571
Total capital assets, net	$ 1,383,792	$ (77,954)	$ (10,534)	$ 1,295,304

In the government-wide financial statements, depreciation expense of $164,974 was charged to the Center's programs as follows:

Governmental Activities	
Behavioral Health	$ 57,204
Intellectual & Developmental Disabilities	31,487
Administration	76,283
Total depreciation expense	$ 164,974

Note 9 - Long-Term Liabilities

Long-term liability activity is recorded in the government-wide financial statements. Retirements are typically paid out of the general fund. A summary of changes in long-term liabilities for the year ended August 31, 2020, is as follows:

Governmental Activities	Balance September 1, 2019	Additions	Retirements	Balance August 31, 2020	Due Within One Year
Compensated absences	$ 381,915	$ 600,438	$ (578,033)	$ 404,320	$ -
Paycheck Protection Program loan, uncollateralized, fully guaranteed by the Federal government. Interest is payable monthly at 1%. Loan matures April 2022.	-	900,000	-	900,000	506,583
Total long-term liabilities	$ 381,915	$ 1,500,438	$ (578,033)	$ 1,304,320	$ 506,583

A schedule for future maturities of long-term notes, follows:

2021	$ 506,583
2022	393,417
Total	$ 900,000

The Center was granted a $900,000 loan under the Paycheck Protection Plan (PPP) administered by an approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Center is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Center has initially recorded the loan as other financing sources and will record the forgiveness in accordance with guidance for conditional revenues when there is no longer a measurable performance or other barrier and a right of return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Center maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. The Center will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments commencing in November 2020. Principal and interest payments will be required through the maturity date April 15, 2022.

Note 11 - Retirement Plan

The Center maintains a 401(a) defined contribution profit sharing plan for the benefit of eligible employees and their beneficiaries. The name of the plan is the Pecan Valley MHMR Profit Sharing Plan. In order to participate in the 401(a) plan, eligible employees must participate in the 457 plan. Eligible employees are employees of the Center who are 18 years or older that have completed 6 months of service. The employee's contribution of 4% is deposited into the 457 plan. The Center's contribution of 8% is made to the 401(a) plan. Employees are 100% vested in the Center's contributions to the plan on their behalf after five years of service.

Funds contributed to the plan are invested as directed by the participants. Separate accounting is maintained for each participant. The required contribution by the Center for the fiscal year ending August 31, 2020 was $597,794 and the actual Center contribution was $597,794 of which $58,186 was funded by employee forfeitures of non-vested amounts.

Note 12 - Deferred Compensation Plan

The Center offers its employees a deferred compensation plan (the "Plan") consistent with Internal Revenue Code Section 457(a). Vesting in the Plan is immediate with plan assets held in trust until the employee terminates employment, retires or experiences an unforeseeable emergency. Employees may contribute voluntarily to the Plan with a minimum contribution of 4% and a maximum contribution amount not to exceed limits established by the Internal Revenue Service. Employee contributions were $358,745 for the year ending August 31, 2020.

Note 13 - Economic Dependence

The Center receives a substantial portion of its revenues in the form of annual performance contracts with HHSC to provide mental health and intellectual and developmental disabilities services in its service area. The Center is economically dependent on the continuation of these contracts. At year-end, these contracts have been continued through August 31, 2021. The following table shows the Center's concentration of revenues greater than 10% of total revenue in the General Fund:

	Amount	Percent
General Revenue	$ 6,538,456	25.4%
Medicaid/ Managed Care	3,355,494	13.0%
TX Health Care Transformation and Quality Improvement Program	5,021,891	19.5%

The component unit, PVF, derives substantially all of its revenue from the rental of facilities to the primary government whose operations are in Granbury, Texas and the surrounding service area.

For fiscal years 2015 through 2020, the Center funded 80% of workers' compensation premiums up front (assessed by TCRMF based on the standard contribution for that year). Based on actual claims for that year, TCRMF can later assess up to 100% of that year's standard contribution. Thus, the Center has contingencies relating to previous years' workers' compensation claims for plan years that have not been declared closed. The maximum exposure for such open plan years (excluding 2020, which is not known at this time) is $121,956, which represents the difference between contributions paid in and the maximum contribution for those plan years. As a result, the Center has accrued $40,000 for such contingencies in the accompanying financial statements.

Note 16 - Patient Assistance Program

Consumers periodically receive prescription medications through a program known as the Patient Assistance Program (PAP). These prescriptions are provided at no cost to the consumer. These items do not meet the criteria for recognition on the Center's financial statements; however, they do provide significant assistance to the consumers the Center serves. Management estimates that consumers received prescription medications through this program valued at $4,404,288 during the year ending August 31, 2020.

Note 17 - Medicaid 1115 Waiver

The State of Texas was originally approved for a five-year Medicaid demonstration waiver (through September 30, 2016) that will enable hospitals and other providers to earn up to $11.4 billion in funds for Delivery System Reform Incentive Payment (DSRIP) projects. DSRIP projects were designed to improve Texas' health care delivery system, including access to care, quality of care, and health outcomes. Texas allocated a minimum of 10% of the DSRIP funds to the community mental health centers that serve mentally ill Medicaid and indigent patients throughout the state. An extension was granted until December 2017. On December 21, 2017, the Centers for Medicare & Medicaid Services (CMS) approved Texas HHSC's request to extend Texas' section 1115(a) demonstration project effective from January 1, 2018 through September 30, 2022. Under the new terms, there are two years of level funding, followed by two years of funding which will decrease each year. The fifth year of the extension, from October 1, 2021 through September 30, 2022, will not include any funding.

The Center reports twice a year on milestone and outcome achievement in order to earn DSRIP funds. The revenue is recognized as the milestones are achieved and after review and approval by CMS. As a result, and since the DSRIP funds are not expenditure-reimbursement type funds, at times the Center's cumulative expenditures related to DSRIP projects may exceed the revenues recognized to date.

Note 18 - Coronavirus Pandemic

During the year ended August 31, 2020, the Center has been impacted by the effects of the world-wide coronavirus pandemic. The Center continues to closely monitor its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Center's financial position is not known.

Fund Source	Total Revenue	Total Mental Health Adult Expenditures	Total Mental Health Child Expenditures
Objects of Expense			
Personnel	$ 10,026,299	$ 4,291,433	$ 1,349,107
Fringe benefits	2,679,193	1,142,762	368,401
Capital outlay	50,731	-	-
Pharmaceutical expense (PAP only)	4,404,288	4,404,288	-
Other operating expense	7,981,932	2,093,675	468,165
Allocation of general administration to strategies	2,398,865	835,319	258,692
Allocation of authority administration to strategies	489,214	172,960	53,564
Total expenditures	$ 28,030,522	$ 12,940,437	$ 2,497,929
Method of Finance			
General Revenue - MHA	$ 7,617,403	$ 4,763,315	$ -
General Revenue - IDD	827,477	-	-
General Revenue - MHC	492,796	-	492,796
Mental Health Block Grant	449,797	326,354	123,443
Title XX - Temporary Assistance for Needy Families	125,850	-	125,850
Title XX - Social Services Block Grant	74,213	74,213	-
Earned income	11,515,439	3,289,838	1,679,668
Required local match	665,704	608,979	-
Additional local funds	9,275,113	3,877,738	76,172
Total expended sources	$ 31,043,792	$ 12,940,437	$ 2,497,929

Pecan Valley Centers for Behavioral & Developmental HealthCare
Reconciliation of Total Revenues to Fourth Quarter Financial Report
Year Ended August 31, 2020

	Revenues			
	Care Report III	Additions	Deletions	Audited Financial Statements
Local Revenues				
County tax funds	$ 222,518	$ -	$ -	$ 222,518
Patient fees and insurance	590,689	-	-	590,689
Home and Community Based Services	1,399,267	-	-	1,399,267
Texas Home Living Waiver	163,500	-	-	163,500
Intermediate Care Facilities (ICFMR)	1,724,439	-	-	1,724,439
Managed care	1,303,088	-	-	1,303,088
Medicaid and Medicare	2,052,406	-	-	2,052,406
Medicaid 1115 Waiver	5,021,891	-	-	5,021,891
Contributions and miscellaneous income	2,169,243	-	-	2,169,243
Pharmaceutical expense (PAP only)	4,404,288	-	(4,404,288) (a)	-
Total local revenues	19,051,329	-	(4,404,288)	14,647,041
State Program Revenues				
General Revenue	6,538,456	-	-	6,538,456
Children's Mental Health	489,341	-	-	489,341
MH First Aid	53,200	-	-	53,200
Permanency Planning	19,784	-	-	19,784
Psychiatric Emergency Service Center	364,543	-	-	364,543
Private Psychiatric Beds	1,111,652			1,111,652
House Bill 13	432,475			432,475
Texas Rehabilitation Commission	12,258	-	-	12,258
TCOOMMI	110,025	-	-	110,025
Texas Juvenile Justice Department	86,667	-	-	86,667
Total state program revenues	9,218,401	-	-	9,218,401
Federal Program Revenues				
Mental Health Block Grant	386,341	-	-	386,341
Temporary Assistance for Needy Families	125,850	-	-	125,850
Social Services Block Grant-Title XX	74,213	-	-	74,213
MH First Aid	63,136	-	-	63,136
MH Coordinated Specialty Care- FEP	117,827	-	-	117,827
Assisted Outpatient Treatment Program	7,688	-	-	7,688
Amplify Care through CCBHC	106,559	-	-	106,559
CARES Act Provider Relief Funds	111,833	-	-	111,833
Disaster Crisis Counseling Services	123,864	-	-	123,864
MFP Enhanced Community Coordination	40,771	-	-	40,771
Medical Assistance Program (MAC)	591,238	-	-	591,238
Total federal program revenues	1,749,320	-	-	1,749,320
Investment earnings	124,742	-	-	124,742
Other financing sources	900,000			900,000
Total revenues	$ 31,043,792	$ -	$ (4,404,288)	$ 26,639,504

Pecan Valley Centers for Behavioral & Developmental HealthCare
Schedule of Indirect Costs
Year Ended August 31, 2020

	Total Costs	Non - allowable Costs	Depreciation	Total Adjusted Costs	Direct Costs	Indirect Costs
Personnel	$ 11,504,431	$ -	$ -	$ 11,504,431	$ 10,026,299	$ 1,478,132
Fringe benefits	3,112,429	-	-	3,112,429	2,688,682	423,747
Capital outlay	87,020	(87,020)	-	-	-	-
Depreciation	-	-	164,974	164,974	88,691	76,283
Other operating expenses	8,922,354	(61,039)	-	8,861,315	7,983,558	877,757
Total expenses	$ 23,626,234	$ (148,059)	$ 164,974	$ 23,643,149	$ 20,787,230	$ 2,855,919

Indirect costs	2,855,919
Direct costs	20,787,230
Indirect cost rate	13.74%

Insurer	Coverage	Policy Period	Annual Premium/ Annual Coverage
Texas Council Risk Management	Professional Liability	9/1/19 to 9/1/20	$24,512 / 1,000,000
	Additional in Excess of $1M		$2,376 / 2,000,000
	General Liability		$1,412 / 1,000,000
	Errors & Omissions		$20,502 / 1,000,000
Texas Council Risk Management	Real/Personal Property	9/1/19 to 9/1/20	$43,444 / 14,500,000
	Worker's Compensation		$82,122 / Statutory limit
	Auto Liability		$19,336 / 1,000,000
	Auto Collision/Comp		$15,708 / Cash Value
JI Special Risk Mgt Solutions	Cyber Extortion Loss	9/1/19 to 9/1/20	$8,887 / 1,000,000
	Data Protection Loss		$1,000,000
	Business Interruption		$1,000,000
	Forensic Expense		$1,000,000
	Dependent Business Interruption		$100,000
Blue Cross Blue Shield	Major Medical Hospitalization	3/31/19 to 4/1/20	PPO or HSA
Blue Cross Blue Shield	Dental	3/31/19 to 4/1/20	$2,000 or $750
MetLife	Long Term Disability	3/31/19 to 4/1/20	60% of Emp. Salary
MetLife	Group Life	3/31/19 to 4/1/20	$30,000

Name	Type of Service	Amount
Eide Bailly LLP	Annual Audit	$ 38,550
ETBHN	Pharmaceuticals	246,338
Genoa	Pharmaceuticals	256,540
Helen Farabee MHMR Center	CMHC Billing & Network Administration Management	21,925
East Texas Behavioral Healthcare	Telemedicine	611,814
UNT Health Science Center	Medical Director	30,000
Red River Hospital	Psychiatric Services	1,831,385

Single Audit Section
August 31, 2020

Pecan Valley Centers for Behavioral & Developmental HealthCare

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.

Eide Bailly LLP

Abilene, Texas
November 19, 2020

Opinion on Each Major Federal and State Program
In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2020.

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

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

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

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

Eide Bailly LLP

Abilene, Texas
November 19, 2020

Pecan Valley Centers for Behavioral & Developmental HealthCare

Schedule of Expenditures of State and Federal Awards

Year Ended August 31, 2020

Federal Awards	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security			
Direct from Federal Emergency Management Agency			
Disaster Crisis Counseling Immediate Services Program	97.032	HHS000434500036	123,864
Total U.S. Department of Homeland Security			123,864
U.S. Department of Health and Human Services			
Direct:			
CARES Act Provider Relief Funds	93.498	n/a	111,833
Direct from Substance Abuse and Mental Health Services Administration			
Assisted Outpatient Treatment Program	93.997	1H79SM082951-01	7,688
Amplify Care through CCBHC	93.829	1H79SM083177-01	106,559
Passed through Texas Health and Human Services Commission			
Medical Assistance Program- Medicaid Cluster	93.778	529-09-0032-00066	591,238
ECC Money Follows the Person	93.791	HHS000585300001	40,771
Mental Health Block Grant	93.958	HHS000537200002	386,341
MH First Aid	93.958	HHS000186300001	63,136
MH Coordinated Specialty Care - FEP	93.958	HHS000337000001	117,827
Subtotal CFDA 93.958			567,304
Temporary Assistance for Needy Families-TANF Cluster	93.558	HHS000537200002	125,850
Social Services Block Grant	93.667	HHS000537200002	74,213
Total U.S. Department of Health and Human Services			1,625,456
Total Federal Awards			1,749,320
Total State and Federal Awards			$ 10,845,438

See Notes to Schedule of Expenditures of State and Federal Awards.

Note 4 - State Award Guidelines

State awards are subject to HHSC's Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers (21st Revision) as well as the Office of the Governor's State of Texas Single Audit Circular. Such guidelines are consistent with those required under the Single Audit Act of 1996, the Uniform Guidance and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Note 5 - Indirect Costs

The Center is not eligible to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the Center has previously received a negotiated indirect cost rate for its federal awards.

Note 6 - Subrecipients

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

B. Findings Required to be Reported in Accordance with *Governmental Auditing Standards*

The audit disclosed no findings required to be reported.

C. Findings and Questioned Costs for Federal and State Awards

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