# GULF BEND CENTER

# VICTORIA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended August 31, 2019

ISSUED BY

ANNA ARAGE
CHIEF FINANCIAL OFFICER

**GULF BEND CENTER**

CERTIFICATE OF BOARD APPROVAL OR DISAPPROVAL OF AUDIT REPORT

I, Mr. Steve Hipes, Chairperson of the Board of Trustees of Gulf Bend Center, do hereby certify that this accompanying audit report for the year ended August 31, 2019, from Eide Bailly LLP, Certified Public Accountants, was reviewed and approved at a meeting of the Board of Trustees held on the 10th day of December 2019.

Steve Hipes

Chairperson, Board of Trustees

December 12, 2019

Date

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**GULF BEND CENTER**
*COMPREHENSIVE ANNUAL FINANCIAL REPORT*
*For the year ended August 31, 2019*

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Gulf Bend Center
IMPROVING LIFE THROUGH RECOVERY.

December 10, 2019

Board of Trustees
Gulf Bend Center
6502 Nursery Drive, Ste 100
Victoria, TX 77904

Ladies and Gentlemen:

I am pleased to present and submit the Comprehensive Annual Financial Report of Gulf Bend Center (GBC or the Center) for the fiscal year ended August 31, 2019. The report is intended for the information of the board of trustees, management, federal and state awarding agencies and pass-through entities. However, the report is a matter of public record and its distribution is not limited.

Responsibility for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with GBC. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of GBC. All disclosures necessary to enable the reader to gain an understanding of the Center's financial activities have been included.

Texas Health and Safety Code, Section 534.068 requires an annual organization-wide audit, performed by independent certified public accountants, that encompasses the basic financial statements and other schedules. The firm of Eide Bailly LLP, Abilene, Tx., was selected to perform the annual audit for fiscal year ended August 31, 2019. The audit was designed to be performed in accordance with generally accepted auditing standards, Governmental Auditing Standards, the State of Texas Uniform Grant and Contract Management Standards, the Single Audit Act of 1996, the Uniform Guidance, and the Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers.

Management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be used in conjunction with it. GBC's MD&A can be found immediately following the report of the independent auditors.

Gulf Bend Center

IMPROVING LIFE THROUGH RECOVERY.

*Profile of the Government*

GBC is a public entity which was established under the Texas Mental Health and Mental Retardation Act of 1965. This act provided for the creation of local boards of trustees. The Center provides mental health and intellectual and developmental disabilities services to customers in Calhoun, DeWitt, Goliad, Jackson, Lavaca, Refugio, and Victoria counties in South Texas. GBC is governed by a nine-member board of trustees whose members are appointed by the commissioner's court of each county. GBC has been designated as a tax-exempt charitable organization as described in Section 501(c)(3) of the Internal Revenue Code.

GBC provides an array of mental health services for children, adolescents, and adults and for intellectual and developmental disabled individuals. Some of these services include psychiatric emergency services, such as crisis intervention, screening and assessment, rapid crisis stabilization bed days, and inpatient psychiatric bed days with private hospitals. Other services include outpatient psychiatric and integrated care services, individual and family counseling services, case management services that include rehabilitation services, day habilitation services, and supported employment services for those who experience mental illness and developmental disabilities. The Center's Wellness Community provides residential living where respective services are easily accessible for residents living there. GBC also provides extended services which include jail and emergency room diversion and tele-med services throughout the seven-county area.

GBC's management is responsible for establishing and maintaining an effective compliance program with an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, GBC is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management as deemed necessary.

*Local Economy*

The Gulf Bend Regional Plaza, which is GBC's main clinical and administrative office, is located within the thriving agricultural and industrial city of Victoria, Texas, next to De Tar North Women and Children's Center – De Tar Healthcare System.

The Center's regional area benefits from various major employers including public and higher education, farming and ranching, petrochemical plants, plastic products and other manufacturing, hospitals and other health related businesses, banking institutions, food distribution, power plants, oil and gas production, related servicing companies, and construction. The unemployment rate in the area has decreased over the course of the year from August 2018 to August 2019 from 3.8% to 3.2%, resulting in 182 additional jobs. According to the Texas Comptroller, the Region's unemployment rate has an average of 3.2% as compared to the statewide rate of 3.4% and national average unemployment rate of 3.7%.

Approximately 40% of the Center's funding is from the State of Texas in the form of General Revenue, and the remaining funding is derived from earned income from public and private insurances, Federal Grants and Waivers, State Grants, and other local funding sources.

*Long-term Financial Planning*

Using the Center's Investment Policy as a guide, fund balance investments are monitored to ensure the best rates of return are received. This provides assurance that funds are available to the Center for early payoff of debt and to maintain operations in case of unforeseen circumstances that might pre-empt the flow of funds from third-parties, such as natural disasters or other circumstances beyond the Center's control.

During the current year of operations, ownership of the Gulf Bend Regional Plaza continues to provide the Center with the opportunity to lease office space to tenants in accordance with the guidelines set with the respective Series 2008A Bond. The leased space, which is up to 30% of the total occupied office space, produces income that assists in the financing of the ongoing operational costs of the building and supports the related debt service for the respective current year. At the close of 2019, Gulf Bend Regional Plaza was 96% occupied.

FY19 was the first year that the Series 2008A Bond interest was based on an ‘Adjustable Rate’. For the prior 10 years, the interest rate was locked in at 5.11%. Due to the adjusted rate clause in the Bond and interest rates decreasing, the interest rate dropped for FY19 to 2.74%. This produced a 44% drop in the amount of bond interest paid compared to the previous year.

*Operating Reserve Ratio*

The Center’s Average Operating Reserve Ratio as of August 31, 2019 was 124 days for the fiscal year based on the daily average of expenditures for the year. This means that GBC had the capacity to operate an additional 124 days in case of any unforeseen ability to operate the Center throughout the fiscal year 2019. The state recommends reserves to be a minimum of sixty (60) days.

*Major Initiatives*

The 1115 Transformation Waiver has continued to offer the Center necessary resource capacity through the leveraging of federal funding to further build upon and enhance the Centers services currently provided. Under provisions of the Waiver, GBC, along with other local community centers have been designated as having authority to make intergovernmental transfers necessary for leveraging federal funding to support service deliverables based on outcomes. Under the guidance of the Texas Health and Human Services Commission (HHSC) and the Centers for Medicare and Medicaid Services (CMS) in Washington, D. C., GBC has participated in the projects identified for the past eight years of the Waiver.

On December 21, 2017, CMS approved a five-year renewal of the Texas 1115 Transformation Waiver from October 2017 to September 2022, Demonstration Years 7-11. The renewal continues Medicaid managed care statewide along with the Uncompensated Care pool and the Delivery System Reform Incentive Payment program pool. Then on January 19, 2018, CMS further approved the DSRIP Protocols - the Program Funding and Mechanics Protocol and the Measure Bundle Protocol. These protocols covered the requirements for participation in DSRIP for Demonstration Years 7-8, October 1, 2017 through September 30, 2019. DY7-8 has served as an opportunity for providers to move further towards sustainability of their transformed systems, including development of an Alternative Payment Models (APM) to continue services for Medicaid and low-income or uninsured individuals after the waiver ends. GBC, center-wide, will continue in the participation of the required tracking of services that will be used as a baseline to determine future provider-level outcomes for the DSRIP Waiver.

Over the past decade, the State of Texas through the HHSC, has made significant investments in the behavioral health delivery system, however there are still gaps that need to be addressed when it comes to the overall care and well-being of the individuals we serve. There have been seven of the thirty-nine centers across the State of Texas that have become federally certified as a Certified Community Behavioral Health Clinic (CCBHC) through a pilot funding with Substance Abuse and Mental Health Services Administration (SAMHSA). Over the course of the past fiscal year, all other centers have begun taking on the task to prepare and align themselves with the CCBHC model. The state of Texas is now currently accepting applications to become a CCBHC and is providing resources that are available for the centers that are beginning to align current services and processes with the CCBHC model. As a result, GBC internally has begun preparing to align itself to the CCBHC model as well. The Center hired a Substance Use Counselor. This, along with other strategic requirements will be one of the major initiatives that GBC will be continuing during the coming year. This federal certification, if awarded, would be a pass through HHSC and SAMHSA.

The Center has expanded its ability contractually, under the Psychiatric Emergency Service Center (PESC) agreement with the state, to serve the community with the availability of Rapid Crisis Stabilization bed days and Jail Diversion using Mental Health Deputies to assist local law enforcement when individuals need to be admitted to a State or Community Mental Health Hospital. This funding, which provided 400 bed days, allowed individuals in behavioral health crisis to receive treatment in the most appropriate and available setting. It also diverts respective individuals from the criminal justice system. The utilization of the Mental Health Deputies, under the PESC contract, provided GBC the means to initially provide a stepping stone in the anticipation of the development of a much larger Mental Health Deputy (Officer) program under the Collaborative.

The Center's Executive Management Team has continued to work to develop community partnerships with other providers and stakeholder organizations to address gaps in local community mental health and developmental disability services. The Collaborative is made up of partnerships that have been developed across the seven-county catchment area with the local counties and city law enforcement in developing strategies and addressing the mental health needs of individuals that end up in the local jails and expanding those services needed by promoting mental health deputies within the community. Building these relationships has been necessary to the Center's ability and capacity to meet the needs of the region which exceed the Center's capacity today.

As a part of the Collaborative, members of the Center's Executive Team, along with local officials within the community, addressed legislature at the 85th Session, and presented a 'Beta' program based on the needs of the GBC's local community concerning the use of a Community Response Team(s) (CRT), i.e., a Mental Health Deputy(s) paired with a Case Manager(s), to expand mental health services within the community. When House Bill 13 (HB13) was passed, the bill included funding specifically for the behavioral health crisis needs and Jail Diversion with the use of Mental Health Officers and Case Managers working together (CRT). Over the course of the year, along with the Mental Health Deputy and Case Managers, the CRT included services provided by a Registered Nurse (RN), a Continuity of Care Case Manager, and a Substance Use Counselor, to divert individuals from going to the emergency room, jails, and psychiatric hospitals. As a part of the state funding, the state also required a 50% match from the community for rural counties for every dollar the state would provide. HB13 Funding was awarded $1.358M to GBC as financial steward for the communities' collaborative implementation of providing CRT's within the seven-county catchment area with an in-kind match of $679K. Following the 86th Session, an extension of the program was made based on the continued needs for mental health services within the community in diverting individuals from jails and emergency rooms.

Due to the unavailability of the State Psychiatric Hospitals, and the increased need of psychiatric inpatient services, the Center continues its ability to service individuals in crisis with third-party private psychiatric hospital stays with state funding under the Private Psychiatric Bed (PPB) Days contract. This funding provided approximately an additional 730 bed days to be used for behavioral health crisis services. Along with the PESC Rapid Crisis Stabilization Bed Days, this provided GBC 1130 available bed days.

Gulf Bend Center

IMPROVING LIFE THROUGH RECOVERY.

GBC went live on the new Electronic Healthcare Record, (EHR) system, SmartCare, on June 1st, 2018. Since then, the system has improved in-house processes, procedures, and appropriate protocols which have assisted GBC in the ability to provide current information from hands on delivery of services. The electronic system capability assures that the Center is meeting compliance with federal laws and protect the gathering, storage, and portability of individual health information. This new system has also allowed the Center to acclimate to the changes needed to appropriately enter services with ease and has improved the capabilities and functionality covering the wide range of billing processes due to the many facets of services being provided at the Center.

*Acknowledgements*

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the finance, billing, and all other administration departments. We would like to express our gratitude and appreciation to all members of the departments who assisted and contributed to the preparation of this report. Due credit should also be given to the GBC Board of Trustees who serve in a governance role in the planning and implementation of the Center's operations.

Respectfully submitted,

Anna Arage
Chief Financial Officer

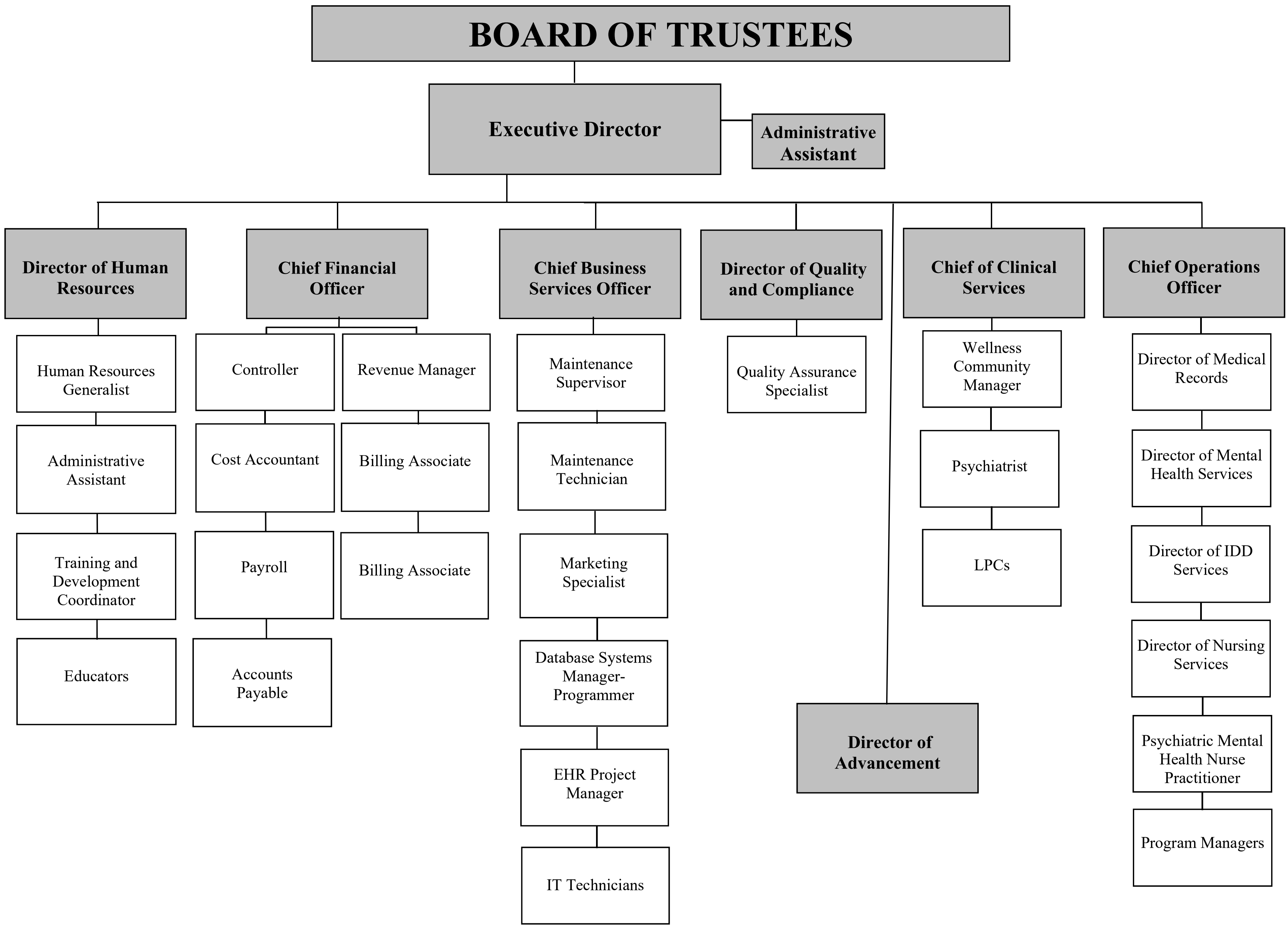
## LIST OF PRINCIPAL OFFICIALS

### Board of Trustees

| | | |
|---|---|---|
| Steve Hipes | Victoria County | Board Chair |
| Melissa Lester | Calhoun County | Board Vice-Chair |
| Annette Pfeil | Calhoun County | Board Secretary |
| Daryl Fowler | DeWitt County | Board Member |
| Shirley McMillan | Goliad County | Board Member |
| Sylvester Walleck | Jackson County | Board Member |
| Micah Harmon | Lavaca County | Board Member |
| Hoss Whitt | Refugio County | Board Member |
| Gary Burns | Victoria County | Board Member |

### Executive Management Staff

| | |
|---|---|
| Jeffrey Tunnell | Executive Director |
| Lane Johnson | Chief Clinical Services Officer |
| Glenn Zengerle | Chief Business Services Officer |
| Anna Arage | Chief Financial Officer |
| Darlyn Sustaita | Chief Operations Officer |
| Shelly Frank | Director of Human Resources |
| Jennifer Rayburn | Director of Advancement |
| Julie Galvan | Director of Quality and Compliance |
| Melissa Garcia | Executive Administrative Assistant |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Human Resources Generalist
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Billing Associate
Chief Business Services Officer
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Maintenance Technician
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Database Systems Manager-Programmer
EHR Project Manager
IT Technicians
Director of Quality and Compliance
Quality Assurance Specialist
Director of Advancement
Chief of Clinical Services
Wellness Community Manager
Psychiatrist
LPCs
Chief Operations Officer
Director of Medical Records
Director of Mental Health Services
Director of IDD Services
Director of Nursing Services
Psychiatric Mental Health Nurse Practitioner
Program Managers

# FINANCIAL SECTION

## Independent Auditor's Report

To the Board of Directors
Gulf Bend Center
Victoria, Texas

**Report on the Financial Statements**
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gulf Bend Center ("the Center") as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

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

**Auditor's Responsibility**
Our responsibility is to express opinions on these financial statements based on our audit. We 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.



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**Opinions**
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Center as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of State and Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas *Single Audit Circular* and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2019 on our consideration of Gulf Bend 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
December 5, 2019

The management of Gulf Bend Center (the "Center") offers readers of the Center's financial statements this narrative overview and analysis of the financial activities of the Center for the fiscal year ended August 31, 2019. Management encourages readers to consider the information presented here in conjunction with additional information furnished in the letter of transmittal, which can be found on pages i through vi in the introductory section of this report.

## FINANCIAL HIGHLIGHTS

- The assets of the Center's governmental activities exceeded its liabilities at the close of the most recent fiscal year by $7,864,685 (net position). Of this amount, $3,597,300 (unrestricted net position) may be used to meet the Center's ongoing obligations to consumers and creditors.
- The Center's governmental activities total net position increased by $608,198.
- As of the end of the current fiscal year, the Center's governmental fund reported combined ending fund balances of $4,033,194, an increase of $762,927 over the prior year.
- Of the Center's total governmental fund balance, $3,658,798 represents the unassigned fund balance of the General Fund, which is approximately 34% of total General Fund expenditures.

## USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Center's basic financial statements. The Center's basic financial statements are comprised of 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.

**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 result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). The government-wide financial statements distinguish functions of the Center that are provided from federal, state and local funding sources (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- The governmental activities of the Center include Mental Health-Adult, Mental Health-Children, and Intellectual and Developmental Disability (IDD).
- The Center's business-type activity includes building rental revenues and expenses.

The government-wide financial statements can be found on pages 13 through 15 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. All of the funds of the Center can be divided into three categories: governmental funds, proprietary 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 cash resources flow into and out of those funds, and balances remaining at year-end that are available for spending. These funds are reported using an accounting method known as modified accrual accounting, that requires the recognition of revenue when earned, only so long as the funds are collected within the period or soon enough afterwards to be used to pay liabilities of the current period.

It is useful to compare the information presented for governmental activities to the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Center's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Center maintains one governmental fund, the General Fund.

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 16 through 21 of this report.

***Proprietary Fund:*** The Center maintains two proprietary-type funds, the internal service funds and an enterprise fund. The internal service funds are an accounting device used to accumulate and allocate costs internally among the Center's various functions. The Center uses the internal service fund to charge the different programs for usage of the fleet of vehicles, occupancy costs of the Nursery Drive building, account for computer equipment usage, and to account for expenditures related to maintaining the building. The enterprise fund is used by the Center to account for the income and expenses related to the building rental activity. The internal service funds and the enterprise fund are presented in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 22 through 24 of this report.

***Fiduciary Fund:*** 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 accounting used for fiduciary funds is similar to proprietary funds. The Center maintains one fiduciary fund to account for its Cafeteria Plan. The basic fiduciary fund financial statements can be found on page 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 and can be found on pages 26 through 39 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Center that is required by Texas Health and Human Services Commission (Department of State Health Services and Department of Aging and Disability Services); Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and the State of Texas Single Audit Circular. This supplementary information can be found on pages 40 through 73 of this report.

## GULF BEND CENTER

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

## FOR THE YEAR ENDED AUGUST 31, 2019

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

A portion of the Center's governmental activities total net position (approximately 54%) reflects its investment in capital assets (e.g., land, buildings, vehicles, furniture, and equipment), less any related debt used to acquire those assets that are still outstanding. The Center's governmental activities had $987,000 of debt outstanding on capital assets as of the end of the current fiscal year. The Center's governmental activities uses its capital assets to provide services to the community; consequently, these assets are not available for future spending. The remaining portion of the Center's governmental activities total net position, $3,597,300, or 46%, represents unrestricted financial resources available for future operations.

The business-type activities represent investment in capital assets used in the Center's third-party rental operation of offices in the main building. Income from rental activities help offset general expenditures.

The following Statement of Net Position provides an overview for the last two years:

| | Governmental | | Business-type | | Total | | |
|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | Change |
| Current assets | $ 4,830,389 | $ 4,216,481 | $ 416,967 | $ 282,998 | $ 5,247,356 | $ 4,499,479 | 17% |
| Capital assets (net) | 5,254,385 | 5,694,179 | 810,752 | 857,296 | 6,065,137 | 6,551,475 | -7% |
| Total Assets | 10,084,774 | 9,910,660 | 1,227,719 | 1,140,294 | 11,312,493 | 11,050,954 | 2% |
| Current liabilities | 952,132 | 1,198,312 | 22,344 | 26,164 | 974,476 | 1,224,476 | -20% |
| Long-term liabilities | 1,267,957 | 1,455,861 | 5,000 | 5,000 | 1,272,957 | 1,460,861 | -13% |
| Total Liabilities | 2,220,089 | 2,654,173 | 27,344 | 31,164 | 2,247,433 | 2,685,337 | -16% |
| Net Position: | | | | | | | |
| Net investment in capital assets | 4,267,385 | 4,285,179 | 805,752 | 852,296 | 5,073,137 | 5,137,475 | -1% |
| Unrestricted | 3,597,300 | 2,971,308 | 394,623 | 256,834 | 3,991,923 | 3,228,142 | 24% |
| Total Net Position | $ 7,864,685 | $ 7,256,487 | $ 1,200,375 | $ 1,109,130 | $ 9,065,060 | $ 8,365,617 | 8% |

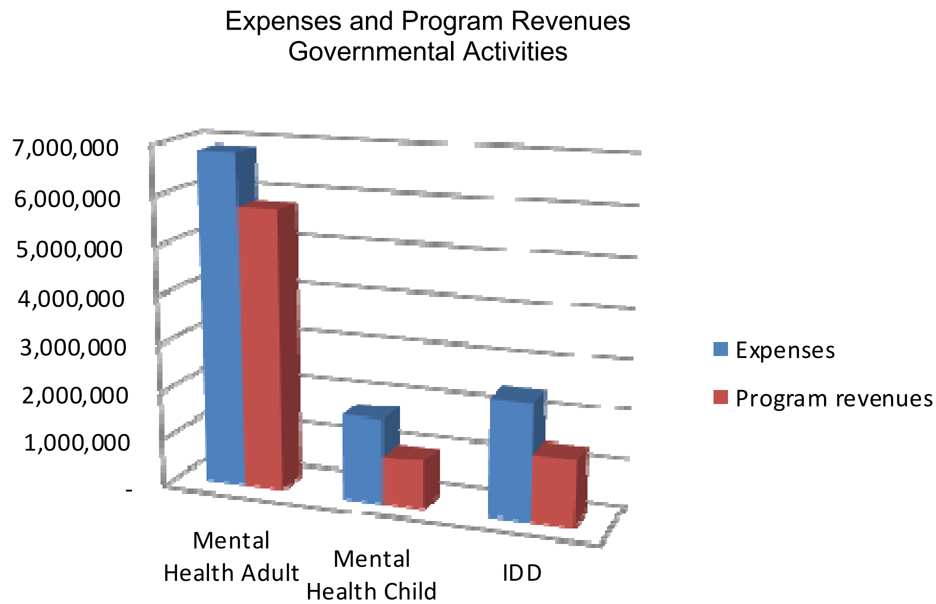
# GULF BEND CENTER

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

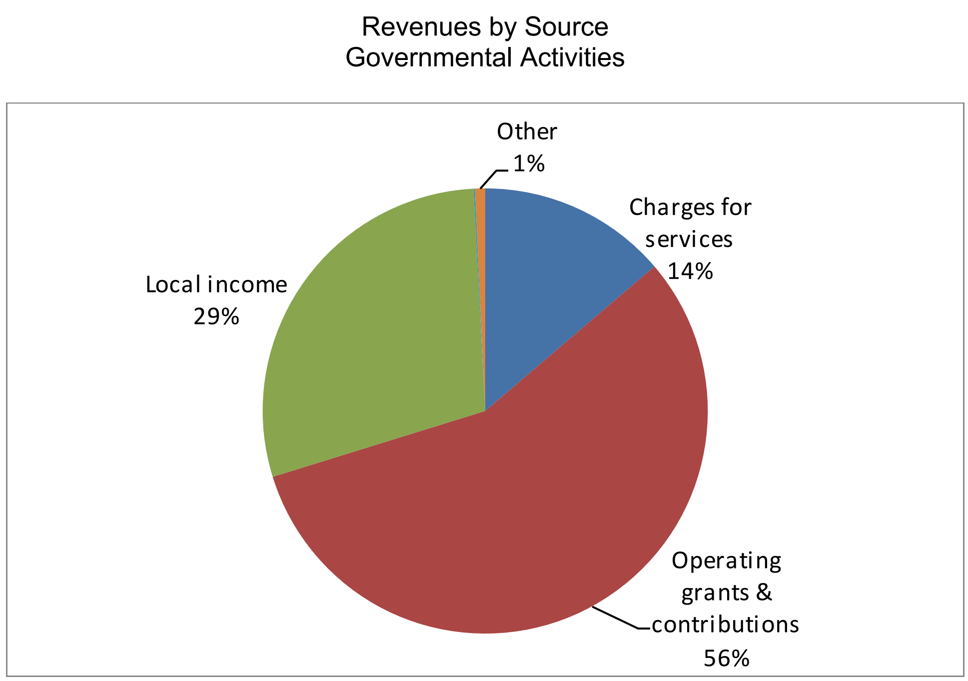
## FOR THE YEAR ENDED AUGUST 31, 2019

The Center's total governmental net position increased by $608,198 as shown below:

| | Governmental | | Business-type | | Total | | |
|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | Change |
| REVENUES | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | $ 1,598,136 | $ 1,622,165 | $ 230,525 | $ 228,703 | $ 1,828,661 | $ 1,850,868 | -1% |
| Operating grants | 6,560,366 | 6,185,958 | - | - | 6,560,366 | 6,185,958 | 6% |
| General revenues: | | | | | | | |
| General income | 3,363,114 | 3,252,858 | - | - | 3,363,114 | 3,252,858 | 3% |
| Gain on sale | 12,317 | 892 | - | - | 12,317 | 892 | - |
| Investment earnings | 85,649 | 50,397 | - | - | 85,649 | 50,397 | 70% |
| Total Revenues | 11,619,582 | 11,112,270 | 230,525 | 228,703 | 11,850,107 | 11,340,973 | 4% |
| EXPENSES | | | | | | | |
| Mental Health-Adult | 6,810,444 | 6,441,077 | - | - | 6,810,444 | 6,441,077 | 6% |
| Mental Health-Child | 1,725,174 | 1,622,864 | - | - | 1,725,174 | 1,622,864 | 6% |
| IDD | 2,405,720 | 2,543,892 | - | - | 2,405,720 | 2,543,892 | -5% |
| Interest | 70,046 | 79,171 | 413 | 412 | 70,459 | 79,583 | -11% |
| Rental | - | - | 138,867 | 147,547 | 138,867 | 147,547 | -6% |
| Total Expenses | 11,011,384 | 10,687,004 | 139,280 | 147,959 | 11,150,664 | 10,834,963 | 3% |
| Excess or (deficiency) of revenues over expenses | 608,198 | 425,266 | 91,245 | 80,744 | 699,443 | 506,010 | 38% |
| Net Position - Beginning | 7,256,487 | 6,831,221 | 1,109,130 | 1,028,386 | 8,365,617 | 7,859,607 | 6% |
| Net Position - Ending | $ 7,864,685 | $ 7,256,487 | $ 1,200,375 | $ 1,109,130 | $ 9,065,060 | $ 8,365,617 | 8% |



Expenses and Program Revenues
Governmental Activities
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
Mental Health Adult
Mental Health Child
IDD
Expenses
Program revenues

Revenues by Source
Governmental Activities
Other 1%
Charges for services 14%
Local income 29%
Operating grants & contributions 56%

### FINANCIAL ANALYSIS OF THE CENTER'S FUNDS

As noted earlier, the Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The General Fund is the primary operating fund of the Center. As the Center completed the year, its General Fund, as presented in the balance sheet on page 16, reported a combined fund balance of $4,033,194. The fund balance increased $762,927 from prior year. The unassigned fund balance of the General Fund was $3,658,798. 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 as of the current year-end represents approximately 34% of total General Fund expenditures for the current fiscal year.

During the year, the General Fund local revenues increased by $147,288 (approximately 3%). General Fund state program revenues increased by $350,964 (approximately 6%). General Fund federal program revenues decreased $37,616 (approximately 3%).

**General Fund Budgetary Highlights:** The Center did not amend its budget during the fiscal year.

Total actual revenues were $915,891, or 7%, less than budgeted revenues. Total actual expenditures were $1,599,901, or 13%, less than budget. The largest variances in expenditures are related to personnel, employee benefits, and professional and consultant fees. Actual revenues and expenditures fell short of budget mostly due to GBC budgeting for the receipt of additional funding from the State which was not ultimately received.

**Proprietary Funds:** The Center's proprietary funds provide the same type of information found in the government-wide financial statements.

*Internal Service Funds:* The total net position of the internal service funds decreased $1,409,000 due to the debt related to the building located on Nursery Drive being reclassified from the General Fund to the Internal Service Fund – Administrative Building. The Center allocates out the Internal Service Fund's respective operating incomes to the programs as Charges for Services provided.

*Enterprise Fund:* The net position of the enterprise fund increased $91,245.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets:** The Center's investment in capital assets for its governmental and business-type activities as of year-end amounts to $6,065,137 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, furniture, and equipment.

| | 2019 | 2018 | Change |
|---|---|---|---|
| Buildings and improvements | $ 8,464,162 | $ 8,464,162 | 0% |
| Furniture and equipment | 860,722 | 850,090 | 1% |
| Vehicles | 297,348 | 381,589 | -22% |
| Totals at Historical Cost | 9,622,232 | 9,695,841 | -1% |
| Accumulated Depreciation | (3,557,095) | (3,144,366) | 13% |
| Net Capital Assets | $ 6,065,137 | $ 6,551,475 | -7% |

Additional information can be found in Note 6, Capital Assets on page 34 of this report.

**Long-term Debt:** As of the current year-end, the Center had long-term debt outstanding of $1,267,957. This amount is comprised of revenue bonds and compensated absences. The Center is not subject to a limit. Note 7 on page 35 provides additional information related to long-term debt. The following table summarizes the Center's long-term debt outstanding at year-end:

| | 2019 | 2018 | Change |
|---|---|---|---|
| Compensated Absences | $ 280,957 | $ 280,957 | 0% |
| Revenue Bonds | 992,000 | 1,414,000 | -30% |
| Total | $ 1,272,957 | $ 1,694,957 | -25% |

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Center's service area, known also as the Crossroads Region, has been a major contributor to the Texas economy for the past several years. According to the US Bureau of Economic Analysis as of June 2019, Texas has the highest Gross Domestic Product (GDP) of 4.7 compared to all other states which range from .5 to 4.7. This Region has also benefited due to its' stable economy and continued business growth which has been generated by such companies including manufacturers of construction equipment and large engines, plastics, oil and gas companies, petrochemical plants, textiles, public and higher education facilities, hospitals, construction, agriculture, and other growth sectors of local business.

Oil prices for a barrel of oil have averaged $56.42 for the year with the high being $66.30 and the low being $46.54. As of November 7, 2019, oil closed at $57.15. Over the course of the year, the oil production has continued to maintain approximately 1400 thousand barrels daily within the Eagle Ford Shale and surrounding area. In addition, there are approximately 250 new well oil production per rig. It is too soon to know what the indicators will show; however, it appears to be holding its own locally for the oil and gas industry.

Formosa, which is one of the region's largest contributors to our local economy, has invested $5 billion into a plant expansion that will bring about an additional 340 jobs to this area. This expansion was completed in early 2019. Currently Formosa employs 1910 employees and 795 contractors at the Point Comfort location.

The expansion of the University of Houston-Victoria has made progress in helping the university become a place of destination, with its added facilities, curriculum and sports programs. This results in providing a draw of more students and faculty to this region and will assist in the future economic growth of this region as well.

Victoria and the surrounding counties were hit very hard by Hurricane Harvey over two years ago. Even though it has been two years since Harvey, there is still a continuum of assistance that is being provided through federal aid for those affected by the storm. The Federal Emergency Management Agency (FEMA) partnered with the Substance Abuse and Mental Health Services Administration (SAMHSA), to extend available funding through the SAMHSA Emergency Response Grant (SERG). GBC has been awarded SERG funding for the fiscal year ending August 31st, 2019, that provided expansion of individual services for those that are still suffering from the aftermath of the hurricane.

In additional to the Federal Aid, The Meadows Mental Health Policy Institute - Texas State of Mind, which is an arm of the Meadows Foundation, provided grant funding that was utilized for assisting in monitoring the needs of individuals within the Woodsboro Independent School District. The Center provided services by a Licensed Professional Counselor (LPC) and a Qualified Mental Health Provider (QMHP) who worked within the Woodsboro School District area.

Historically, Victoria and the Crossroads Region have produced and maintained a stable labor force available at a cost that ranks below comparable U.S. markets. The unemployment rate in the area has decreased over the course of the year from August 2018 to August 2019 from 3.8% to 3.2%, resulting in 182 additional jobs. According to the Texas Comptroller, the Region's unemployment rate has an average of 3.2% as compared to the statewide rate of 3.4% and national average unemployment rate of 3.7%.

Victoria is home to the largest medical community in the Region. A progressive medical network provides ready access to state-of-the-art care at two full-service hospitals with more than 650 beds located on three campuses. Both DeTar Hospital (private) and Citizens Medical (county-owned) serve as a medical hub for the Region and provide many services that otherwise would require traveling to the Houston, San Antonio, or Corpus Christi to access. These and the other health care providers in the Region all face the challenge of recruitment and retention of a qualified workforce and particularly specialty providers.

The local seven county area's uninsured population has averaged 14.1% as compared to the state average of 17%. Texas is ranked #1 for the greatest percentage of uninsured across the U.S. reflecting the statewide average for Texas and exceeding the national average. One of the main reasons is that Texas did not expand Medicaid under the Affordable Care Act. Looking to the future, emphasis will be on healthcare providers working together to pool resources where possible to address the ongoing challenges that the behavioral health population have related to crisis that end up at the medical center's emergency rooms.

Technology continues to be important as there is today and will continue to be the need to support healthcare data and protection in a secure environment. The completion of the implementation of the new electronic healthcare record (EHR), Smart Care, has been a major step in having hands-on access, which has also provided efficiencies of clinical reporting, services, and the billing thereof. The delivery of psychiatric medical services via televideo has continued to be important as an effective means to overcome the barriers of distance in a predominantly rural region. The technical tools including the hands-on access with the new clinical system and the availability of tele-video services, has enhanced the efficiency of time and resources.

Even in the best of economic times the fact remains, GBC serves less than 20% of the Region's population of children and adults diagnosed with serious mental illness. This can be partly attributed to the fact that Texas remains near the bottom of all states in per capita funding for mental health. Current trends and forecasts of future trends indicate the Center's method of finance must evolve to include a more diversified source of funds and payer mix to include managed care organizations and other third-party payers. This includes both public and private insurances. The Center must continue to develop a practice management capability that supports doing business with a diverse group of payers including managed care organizations and private insurance companies. Essential business functions must evolve that support the effective and efficient delivery of required services, reporting of outcomes, assurance of compliance, and the facilitation of billing and collections across time.

The Center's Executive Management Team has worked to develop community partnerships with other providers and stakeholder organizations to address gaps in local community mental health and developmental disability services. The Collaborative is made up of partnerships that are across the seven-county catchment area with the local counties and city law enforcement in developing strategies and addressing the mental health needs of individuals that end up in the local jails and expanding those services needed by promoting mental health deputies within the community. Building these relationships have been necessary to the Center's ability and capacity to meet the needs of the region which exceed the Center's capacity today.

The 1115 Transformation Waiver has continued to offer the Center necessary resource capacity through the leveraging of federal funding to further build upon and enhance the Centers services currently provided. Under provisions of the Waiver, GBC, along with other local community centers have been designated as having authority to make intergovernmental transfers necessary for leveraging federal funding to support service deliverables based on outcomes. Under the guidance of the Texas Health and Human Services Commission (HHSC) and the Centers for Medicare and Medicaid Services (CMS) in Washington, D. C., GBC has participated in the projects identified for the past eight years of the Waiver.

On December 21, 2017, CMS approved a five-year renewal of the Texas 1115 Transformation Waiver from October 2017 to September 2022, Demonstration Years 7-11. DY7-8 has served as an opportunity for providers to move further towards sustainability of their transformed systems, including development of an Alternative Payment Models (APM) to continue services for Medicaid and low-income or uninsured individuals after the waiver ends. GBC, center-wide, will continue in the participation of the required tracking of services that will be used as a baseline to determine future provider-level outcomes for the DSRIP Waiver. The 1115 Transformation Waiver will continue into DY9 (10/1/19 – 9/30/20) at a 6% reduction of waiver funding, DY10 (10/1/20 – 9/30/21) at a 14% reduction, and DY11 (10/1/21 – 9/30/22) will no longer be funded. Due to the DSRIP reduction of funding, there is great concern as to the transitioning of funding for the continuance of all community centers across Texas. This has spurred the course of all community centers, include GBC, to pursue the requirements and implementation to apply for a Certified Community Behavioral Health Clinic (CCBHC) model of doing business in the future.

Over the past decade, the State of Texas through the HHSC, has made significant investments in the behavioral health delivery system, however there are still gaps that need to be addressed when it comes to the overall care and well-being of the individuals we serve. There have been seven of the thirty-nine centers across the State of Texas that have become federally certified as a CCBHC through a pilot funding with Substance Abuse and Mental Health Services Administration (SAMHSA). Over the course of the past fiscal year, all other centers have begun taking on the task to prepare and align themselves with the CCBHC model. The state of Texas is currently accepting applications to become a CCBHC and providing resources that are available for the centers that are beginning to align current services and processes with the CCBHC model. As a result, GBC internally has begun preparing to align itself to the CCBHC model as well. The Center hired a Substance Use Counselor. This, along with other strategic requirements will be one of the major initiatives that GBC will be continuing during the coming year. This federal certification, if awarded, would be a pass through HHSC and SAMHSA.

The information contained in this discussion and analysis served to inform Center management's thinking in the planning and implementation of operations in FY 2019. This remains true as we look to planning and implementing operations in FY 2020.

## REQUEST FOR INFORMATION

This financial report is designed to provide a general overview for all those who have an interest in the Center's financial health. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Gulf Bend Center, Accounting - Billing Department, 6502 Nursery Drive, Suite 100, Victoria, Texas 77904.

# BASIC FINANCIAL STATEMENTS

**GULF BEND CENTER**
*STATEMENT OF NET POSITION*
*August 31, 2019*

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 2,070,850 | $ - | $ 2,070,850 |
| Investments | 2,179,357 | - | 2,179,357 |
| Accounts receivable, net | 497,383 | 69 | 497,452 |
| Receivables from other governments | 430,740 | - | 430,740 |
| Prepaid items | 57,507 | 11,450 | 68,957 |
| Internal balances | (405,448) | 405,448 | - |
| Capital assets (net of accumulated depreciation) | 5,254,385 | 810,752 | 6,065,137 |
| **Total assets** | 10,084,774 | 1,227,719 | 11,312,493 |
| **LIABILITIES** | | | |
| Accounts payable | 224,710 | - | 224,710 |
| Accrued salaries and related payables | 240,298 | - | 240,298 |
| Accrued interest payable | - | 206 | 206 |
| Unearned revenue | 20,782 | 22,138 | 42,920 |
| Due to other governments | 466,342 | - | 466,342 |
| Non-current liabilities: | | | |
| Due within one year | 28,096 | - | 28,096 |
| Due in more than one year | 1,239,861 | 5,000 | 1,244,861 |
| **Total liabilities** | 2,220,089 | 27,344 | 2,247,433 |
| **NET POSITION** | | | |
| Net investment in capital assets | 4,267,385 | 805,752 | 5,073,137 |
| Unrestricted | 3,597,300 | 394,623 | 3,991,923 |
| **Total net position** | $ 7,864,685 | $ 1,200,375 | $ 9,065,060 |

The accompanying notes are an integral part of the financial statements.

**GULF BEND CENTER**
*STATEMENT OF ACTIVITIES*
*For the year ended August 31, 2019*

| Function/Programs | Expenses: Expenses | Expenses: Administrative Allocation | Expenses: Expenses After Allocation of Administrative | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions |
|---|---|---|---|---|---|
| **Primary Government** | | | | | |
| Governmental activities | | | | | |
| Mental Health-Adult | $ 6,163,899 | $ 646,545 | $ 6,810,444 | $ 630,088 | $ 5,185,165 |
| Mental Health-Child | 1,561,396 | 163,778 | 1,725,174 | 139,648 | 828,674 |
| IDD | 2,177,334 | 228,386 | 2,405,720 | 828,400 | 546,527 |
| Administration | 1,038,709 | (1,038,709) | - | - | - |
| Interest on long-term debt | 70,046 | - | 70,046 | - | - |
| Total governmental activities | 11,011,384 | - | 11,011,384 | 1,598,136 | 6,560,366 |
| **Business-type Activities** | | | | | |
| Rental | 139,280 | - | 139,280 | 230,525 | - |
| **Total** | $ 11,150,664 | $ - | $ 11,150,664 | $ 1,828,661 | $ 6,560,366 |

General revenues:
Unrestricted general income
Gain on sale of capital assets
Investment earnings
Total general revenues

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of the financial statements.

| Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|
| Governmental Activities | Business-type Activities | Total |
| $ (995,191) | $ - | $ (995,191) |
| (756,852) | - | (756,852) |
| (1,030,793) | - | (1,030,793) |
| - | - | - |
| (70,046) | - | (70,046) |
| (2,852,882) | - | (2,852,882) |
| - | 91,245 | 91,245 |
| (2,852,882) | 91,245 | (2,761,637) |
| 3,363,114 | - | 3,363,114 |
| 12,317 | - | 12,317 |
| 85,649 | - | 85,649 |
| 3,461,080 | - | 3,461,080 |
| 608,198 | 91,245 | 699,443 |
| 7,256,487 | 1,109,130 | 8,365,617 |
| $ 7,864,685 | $ 1,200,375 | $ 9,065,060 |

**GULF BEND CENTER**

*BALANCE SHEET*

*GOVERNMENTAL FUNDS*

*August 31, 2019*

| | | General Fund |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 2,067,934 |
| Investments | | 2,179,357 |
| Accounts receivable, net | | 497,383 |
| Receivables from other governments | | 430,740 |
| Prepaid items | | 24,396 |
| **Total assets** | | 5,199,810 |
| **LIABILITIES AND FUND BALANCES** | | |
| **Liabilities** | | |
| Accounts payable | | 224,708 |
| Accrued salaries and related payables | | 240,298 |
| Unearned revenues | | 14,706 |
| Due to other governments | | 466,342 |
| Due to other funds | | 220,562 |
| **Total liabilities** | | 1,166,616 |
| **Fund balances** | | |
| Nonspendable for prepaid items | | 24,396 |
| Assigned for healthcare | | 200,000 |
| Assigned for building improvements | | 150,000 |
| Unassigned | | 3,658,798 |
| **Total fund balances** | | 4,033,194 |
| **Total liabilities and fund balances** | $ | 5,199,810 |

The accompanying notes are an integral part of the financial statements.

**GULF BEND CENTER**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET*
*TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION*
*August 31, 2019*

| | | |
|---|---|---|
| **Total governmental fund balances** | | $ 4,033,194 |
| *Amounts reported for governmental activities in the statement of net position are different because:* | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of: | | |
| Governmental capital assets costs | 8,343,864 | |
| Accumulated depreciation of governmental capital assets | (3,089,479) | 5,254,385 |
| Internal service funds are used by the Gulf Bend Center to charge the costs of certain activities, such as vehicle, IT, and building costs, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | | (154,937) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of: | | |
| Bonds and certificates payable | (987,000) | |
| Compensated absences | (280,957) | (1,267,957) |
| **Net position of governmental activities** | | $ 7,864,685 |

The accompanying notes are an integral part of the financial statements.

**GULF BEND CENTER**

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES*
*GOVERNMENTAL FUNDS*
*For the year ended August 31, 2019*

| | General Fund |
|---|---|
| **REVENUES** | |
| Local funds | $ 4,822,626 |
| State programs | 5,560,861 |
| Federal programs | 1,138,130 |
| Interest income | 85,649 |
| **Total revenues** | 11,607,266 |
| **EXPENDITURES** | |
| Current | |
| Mental Health-Adult | 5,967,844 |
| Mental Health-Child | 1,511,733 |
| IDD | 2,108,080 |
| Administration | 1,023,379 |
| Capital outlay | 4,222 |
| **Total expenditures** | 10,615,258 |
| **Excess (deficiency) of revenues over expenditures** | 992,008 |
| **OTHER FINANCING SOURCES** | |
| Sale of general capital assets | 3,400 |
| Net transfers out | (232,481) |
| | (229,081) |
| Net change in fund balances | 762,927 |
| Fund balances, beginning of year | 3,270,267 |
| **Fund balances, end of year** | $ 4,033,194 |

The accompanying notes are an integral part of the financial statements.

**GULF BEND CENTER**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES*

*For the year ended August 31, 2019*

| | | |
|---|---|---|
| **Total net change in fund balances - governmental funds** | | $ 762,927 |
| *Amounts reported for governmental activities in the statement of activities are different because:* | | |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Increase in capital assets | 4,222 | |
| Depreciation expense | (205,794) | (201,572) |
| Some items 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. These activities consist of: | | |
| Decrease in accrued interest | | 46,843 |
| **Change in net position of governmental activities** | | $ 608,198 |

The accompanying notes are an integral part of the financial statements.

**GULF BEND CENTER**

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE*
*BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND*
*For the year ended August 31, 2019*

| | Original / Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **REVENUES** | | | |
| Local Funds: | | | |
| City/County contributions | $ 186,216 | $ 186,216 | $ - |
| Client fees/insurance | 355,431 | 401,410 | 45,979 |
| Intermediate care facilities | 317,112 | 227,181 | (89,931) |
| Medicaid/Medicare services | 1,588,666 | 1,492,544 | (96,122) |
| Delivery system reform incentive payment | 1,649,993 | 1,972,576 | 322,583 |
| Other income | 518,992 | 542,699 | 23,707 |
| Total local funds | 4,616,410 | 4,822,626 | 206,216 |
| State Programs: | | | |
| General revenue | 5,070,692 | 4,673,539 | (397,153) |
| DARS | 120,000 | 24,619 | (95,381) |
| TCOOMMI grant | 320,746 | 273,353 | (47,393) |
| Other state income | 1,181,483 | 589,350 | (592,133) |
| Total state programs | 6,692,921 | 5,560,861 | (1,132,060) |
| Federal Programs: | | | |
| Mental health block grant | 226,608 | 226,608 | - |
| TITLE XX - Social services block grant | 62,001 | 56,925 | (5,076) |
| TITLE XX - TANF | 83,524 | 78,941 | (4,583) |
| STAR grant | 424,119 | 335,123 | (88,996) |
| FEMA Funding | - | 928 | 928 |
| City Development Block Grant | 14,900 | 14,900 | - |
| Medicaid administrative claiming | 360,000 | 424,705 | 64,705 |
| Total federal programs | 1,171,152 | 1,138,130 | (33,022) |
| Interest | 42,674 | 85,649 | 42,975 |
| **Total revenues** | 12,523,157 | 11,607,266 | (915,891) |

(Continued)

| | Original / Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **EXPENDITURES** | | | |
| Current | | | |
| Personnel | 5,909,266 | 5,664,650 | 244,616 |
| Employee benefits | 1,907,008 | 1,495,542 | 411,466 |
| Professional and consultants fees | 2,157,309 | 1,471,396 | 685,913 |
| Training and travel | 457,474 | 491,964 | (34,490) |
| Consumable supplies | 183,896 | 191,935 | (8,039) |
| Building occupancy and operating costs | 1,104,014 | 1,076,581 | 27,433 |
| Other expenditures | 150,468 | 218,968 | (68,500) |
| Debt service | | | |
| Interest | 68,902 | - | 68,902 |
| Principal | 206,000 | - | 206,000 |
| Capital Outlay | 70,822 | 4,222 | 66,600 |
| **Total expenditures** | 12,215,159 | 10,615,258 | 1,599,901 |
| **OTHER FINANCING SOURCES** | | | |
| Sale of assets | - | 3,400 | 3,400 |
| Transfers in | - | 6,875 | 6,875 |
| Transfers out | - | (239,356) | (239,356) |
| | - | (229,081) | (229,081) |
| Net change in fund balance | 307,998 | 762,927 | 454,929 |
| Fund balance, beginning of year | 3,270,267 | 3,270,267 | - |
| **Fund balance, end of year** | $ 3,578,265 | $ 4,033,194 | $ 454,929 |

(Concluded)

The accompanying notes are an integral part of the financial statements.

**GULF BEND CENTER**

*STATEMENT OF NET POSITION*

*PROPRIETARY FUNDS*

*August 31, 2019*

| | Business-type Activities Enterprise Fund | Governmental Activities Internal Service Funds |
|---|---|---|
| **ASSETS** | | |
| Current: | | |
| Receivables | $ 69 | $ - |
| Due from other funds | 405,448 | 19,540 |
| Prepaid items | 11,450 | 33,110 |
| Noncurrent: | | |
| Capital assets, net | 810,752 | 1,701,499 |
| **Total assets** | 1,227,719 | 1,754,149 |
| **LIABILITIES** | | |
| Current: | | |
| Accrued interest payable | 206 | - |
| Unearned revenue | 22,138 | - |
| Due to other funds | - | 207,587 |
| Noncurrent: | | |
| Bonds payable | 5,000 | 987,000 |
| **Total liabilities** | 27,344 | 1,194,587 |
| **NET POSITION** | | |
| Net investment in capital assets | 805,752 | 714,499 |
| Unrestricted | 394,623 | (154,937) |
| **Total net position** | $ 1,200,375 | $ 559,562 |

The accompanying notes are an integral part of the financial statements.

**GULF BEND CENTER**

*STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION*
*PROPRIETARY FUNDS*
*For the year ended August 31, 2019*

| | Business-type Activities Enterprise Fund | Governmental Activities Internal Service Funds |
|---|---|---|
| **OPERATING REVENUES:** | | |
| Rental revenues | $ 230,525 | $ - |
| Charges for service | - | 1,104,491 |
| Delivery system reform incentive payment | - | 98,988 |
| **Total operating revenues** | 230,525 | 1,203,479 |
| **OPERATING EXPENSES:** | | |
| Personnel | - | 273,582 |
| Employee benefits | - | 79,340 |
| Professional and consultants fees | 24,058 | 45,611 |
| Training and travel | - | 9,134 |
| Consumable supplies | - | 3,662 |
| Other expenses | - | 25,692 |
| Depreciation | 46,544 | 246,332 |
| Occupancy costs | 61,919 | - |
| Computer expense | - | 262,897 |
| Vehicle expense | - | 218,394 |
| Building expense | - | 210,187 |
| Taxes | 6,346 | - |
| **Total operating expenses** | 138,867 | 1,374,831 |
| **OPERATING INCOME (LOSS)** | 91,658 | (171,352) |
| **NON-OPERATING REVENUE (EXPENSE):** | | |
| Sale of assets | - | 8,917 |
| Interest expense | (413) | (70,046) |
| **Total non-operating revenue (expense)** | (413) | (61,129) |
| **Income (loss) before transfers** | 91,245 | (232,481) |
| Transfer in (out) | - | 232,481 |
| Transfer of debt to ISF | - | (1,409,000) |
| Change in net position | 91,245 | (1,409,000) |
| Net position, beginning of year | 1,109,130 | 1,968,562 |
| **Net position, end of year** | $ 1,200,375 | $ 559,562 |

The accompanying notes are an integral part of the financial statements.

## GULF BEND CENTER

*STATEMENT OF CASH FLOWS*
*PROPRIETARY FUNDS*
*For the year ended August 31, 2019*

| | Business-type Activities Enterprise Fund | Governmental Activities Internal Service Funds |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from lessees | $ 230,525 | $ - |
| Cash received from users | - | 1,387,257 |
| Cash payments to suppliers | (230,112) | (1,128,499) |
| **Net cash provided by operating activities** | 413 | 258,758 |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | | |
| Sale of capital assets | | 8,917 |
| Acquisition of capital assets | - | (8,110) |
| Principal paid | - | (422,000) |
| Interest paid | (413) | (70,046) |
| **Net cash used by capital financing activities** | (413) | (491,239) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Transfers in | - | 232,481 |
| **Net cash provided by noncapital financing activities** | - | 232,481 |
| Net increase in cash and cash equivalents | - | - |
| Cash and cash equivalents, beginning of year | - | - |
| **Cash and cash equivalents, end of year** | $ - | $ - |

| | | |
|---|---|---|
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| **Operating income (loss):** | $ 91,658 | $ (171,352) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | 46,544 | 246,332 |
| Change in assets and liabilities: | | |
| (Increase) decrease in receivables | (69) | 205,892 |
| (Increase) decrease in internal balances | (130,637) | 124,044 |
| (Increase) decrease in prepaid items | (3,263) | 18,092 |
| Increase (decrease) in unearned revenue | (3,820) | (164,250) |
| **Net cash provided by operating activities** | $ 413 | $ 258,758 |
| Noncash investing and financing activities transfer of debt from governmental activities | | $ 1,409,000 |

The accompanying notes are an integral part of the financial statements.

**GULF BEND CENTER**

*STATEMENT OF FIDUCIARY NET POSITION*

*August 31, 2019*

| | Agency Funds |
|---|---|
| **ASSETS** | |
| Cash | $ 2,916 |
| **Total assets** | $ 2,916 |
| **LIABILITIES** | |
| Due to others | $ 2,916 |
| **Total liabilities** | $ 2,916 |

The accompanying notes are an integral part of the financial statements.

# NOTES TO BASIC FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Gulf Bend Center (the "Center") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

Gulf Bend Center is a public entity that was established under the provisions of the Texas Mental Health Mental Retardation Act of 1965. The Center provides community-based mental health, IDD, and addiction services in Victoria, DeWitt, Jackson, Calhoun, Goliad, Lavaca, and Refugio counties.

In evaluating how to define the government, for financial reporting purposes, the Center's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the GASB Statement No. 14, as amended. Under these guidelines, the reporting entity consists of the primary government (all funds of the Center), organizations for which the primary government is financially accountable, organizations for which the primary government is not financially accountable, organizations that raise and hold economic resources for the direct benefit of the primary government, and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the Center's financial statements to be misleading or incomplete. Under these guidelines there are not any entities that are considered to be component units.

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 of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by program income and intergovernmental revenues, are reported separately from the *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by any 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. City and county contributions and other items not properly included among program revenues are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds and proprietary 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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (continued)

Governmental fund 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 Center considers revenues 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 expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grant revenue, patient fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Center.

The proprietary fund types are accounted for on a flow of *economic resources measurement focus* and utilize the *accrual basis of accounting*. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. Fund Accounting

The Center reports the following major governmental fund:

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

The Center also has the following fiduciary fund type:

*Fiduciary Agency Fund* to account for resources held for others in a custodial capacity. The Cafeteria Fund remits employee payroll deductions to the third-party administrator.

Additionally, the Center reports the following proprietary fund types:

The *Enterprise Fund* is used by the Center to account for the operations of the third-party rental of building office space.

The *Internal Service Funds* are used by the Center to charge certain costs to departments within individual funds.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Center's Internal Service Funds are charges for fleet usage, building occupancy and IT usage. Operating expenses for the Internal Service Funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**<u>NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> - (Continued)**

E. <u>Other Accounting Policies</u>

<u>Deposits and Investments</u>

The Center's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Board of Trustees authorizes the Center to invest, with certain stipulations, in obligations of the United States or its agencies: direct obligations of the State of Texas or its agencies; 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 related 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.

For the fiscal year ended, the Center did not own any types of securities other than those permitted by statute.

Investments for the Center are reported at fair value. For investments in local government investment pools, the reported value of the pool is the same as the fair value of the pool shares.

<u>Due To / From</u>

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of inter-fund loans). All other outstanding balances between the governmental activities and business-type activities would be reported in the government-wide financial statements as "internal balances."

<u>Accounts Receivable</u>

Accounts receivable from customers and insurance carriers for services rendered are reduced by the amount of such billings deemed by management to be ultimately uncollectible. The Center writes off insurance and customer receivables after 90 days and/or collection attempts have been exhausted. The Center has recorded an allowance against these receivables of $50,391 at August 31, 2019. Accounts receivable from cost reimbursement contracts are determined to be 100% collectible based on past collection history from various granting agencies.

<u>Net Customer Service Revenue</u>

The Center has agreements with third-party payors that provide for payments to the Center at contractually agreed upon rates. Net customer 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.

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 1115, 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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

E. Other Accounting Policies - (continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as expenditures at the time items are consumed (consumption method).

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Buildings and improvements | 10-50 |
| Furniture and equipment | 3-10 |
| Vehicles | 5 |

Source of Funds

Certain funds from federal and other state sources represent fees for service reimbursements, as well as project grants. The funds that are for individual patient service reimbursements are reported as local funds as directed by the Texas Health and Human Services Commission (Department of State Health Services and Department of Aging and Disability Services).

Compensated Absences

Employees receive a number of days off work annually based upon their tenure at the Center as follows:

| Tenure in Months | Annual Rate |
|---|---|
| 4-24 | 15 days |
| 25-60 | 20 days |
| 61-120 | 25 days |
| 121 + | 30 days |

These days off are to be used for scheduled vacation and sick leave. The maximum accumulation of paid time off is 30 days. Paid time off will not be credited in excess of the maximum accumulation at the end of the fiscal year but will be transferred into that individual's sick leave account and can only be used after other paid time off is used. Upon departure from employment with the Center, the employee will be paid for all accumulated leave in the paid time off account up to a maximum of 30 days. The balance in the sick leave account will not be paid.

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," the Center accrues its liability for such accumulated unpaid benefits. The estimated current portion of the liability is recorded as an expenditure and liability in the General Fund. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

E. Other Accounting Policies - (continued)

Indirect Costs

Certain indirect costs are included in the program expense reported for individual functions and activities.

Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources which follows the asset section. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Center has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Center has no items that qualify for reporting in this category.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed as incurred. Bonds payable are reported net of the applicable bond premium or discount.

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

Fund Equity

Fund balances of Governmental Funds classified as nonspendable include 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, 2019 are nonspendable in form. The Center has not reported any amounts that are legally or contractually required to be maintained intact. Restricted fund balances are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the Board through a resolution or by other formal action. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the Executive Director based on Board direction.

For the classification of Governmental Fund balances, the Center considers expenditures to be made from the most restrictive first when more than one classification is available.

Any deficits within the Internal Service Funds' unrestricted net position will be covered by the General Fund.

It is the desire of the Center to maintain an adequate fund balance in the General Fund to provide sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Board has adopted a financial standard to maintain an "unassigned" fund balance of 25% of the total operating expenditures.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

E. Other Accounting Policies - (continued)

Tax-exempt Status

The Internal Revenue Service has issued a determination letter dated June 24, 2003, 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Allocation of Indirect Expenses

The Center allocates indirect expenses primarily comprised of administrative services to operating functions and programs benefiting from those services. Allocations are charged to programs based on use of central services determined by various allocation methodologies.

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary Data

The Center's annual budget for the General Fund is prepared using the modified accrual basis of accounting and is based on estimated expenditures provided on a unit basis summarized by program category. The budget is submitted to the Board of Trustees. The budget must have the Board of Trustees' approval and that of the Texas Health and Human Services Commission ("the Commission"). All annual appropriations lapse at fiscal year-end.

Contract/budget negotiations are scheduled by the Commission at which time contract performance measures and funding amounts are negotiated. The contract and/or budget are revised to incorporate any modifications agreed upon and resubmitted to the Commission. The final budget is approved by the Commission, generally before the beginning of the new fiscal year.

B. Budgetary Compliance

Budgetary control is maintained at the department level. The Board of Trustees must approve revisions at or above the department level.

**NOTE 3: DEPOSITS AND INVESTMENTS**

The Center's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the Center's agent bank approved pledged securities in an amount sufficient to protect Center funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits

At year-end, the Center's carrying amount for cash deposits was $2,070,850 and the bank balance was $2,124,864. All deposits are entirely insured or collateralized with securities held by the Center's agent in the name of the Center.

Investments

The Center is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: 1) safety of

**NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)**

Investments - (continued)

principal and liquidity, 2) portfolio diversification, 3) allowable investments, 4) acceptable risk levels, 5) expected rates of return, 6) maximum allowable stated maturity of portfolio investments, 7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, 8) investment staff quality and capabilities, and 9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that the Center adhered to the requirements of the Act. Additionally, investment practices of the Center were in accordance with local policies.

The Act determines the types of investments which are allowable for the Center. These include, with certain restrictions: 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) common trust funds.

The Center's investments at year-end are:

| | | |
|---|---|---|
| Texpool | $ | 818 |
| Certificates of Deposit | | 2,178,539 |
| Total investments | $ | 2,179,357 |

The Center's certificates of deposits are measured at amortized cost.

Interest Rate Risk

In accordance with the Center's investment policy, the Center manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

Credit Risk

The Center's investment policy requires money market mutual funds to be AAA rated and be restricted to investments authorized by the Act. The Center's investments in the public funds investment pool include those with the TexPool Investment Pool. The pool operates in full compliance with the Public Funds Investment Act. The TexPool Investment Pool is rated AAA-m by Standard and Poors.

Concentration of Credit Risk

The Center's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the Center was not exposed to concentration of credit risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. The Center's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the Center by the depository. At year-end, $315,431 of the cash deposit and investment balances at 4 different financial institutions were covered by FDIC insurance. The reminder of the deposits was covered by collateral at 2 different financial institutions with a fair market value of $6,749,108. Therefore, the Center was not exposed to custodial credit risk at year-end.

**NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)**

Custodial Credit Risk – Investments

The Center's policy provides that investment securities are held by a third-party custodian in an account in the Center's name. For an investment, this is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. During the fiscal year and at year-end, all certificates of deposit were fully collateralized. The Center's remaining investments are invested in the TexPool Investment Pool and it has no custodial credit risk.

**NOTE 4: RECEIVABLES FROM OTHER GOVERNMENTS AND DEFERRED REVENUE**

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

| | |
|---|---|
| Accounts Receivable | |
| Medicaid Administrative Claiming | $ 269,389 |
| Managed Care Organizations | 98,097 |
| Medicare / Medicaid | 79,371 |
| Commercial insurance | 28,249 |
| Customer | 59,876 |
| Allowance for contractual / bad debt | (50,391) |
| Other | 12,792 |
| Total | $ 497,383 |
| Other Governments | |
| Texas Council on Offenders with Mental Impairments | $ 30,054 |
| Health and Human Services Commission | 347,097 |
| City of Victoria | 11,175 |
| Other | 42,414 |
| Total | $ 430,740 |

The Center's enterprise fund reports unearned revenue in connection with resources that have been received, but not yet earned. At year-end the Center had unearned revenue in the rental fund for rents collected in advance in the amount of $22,138.

## NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of inter-fund receivables and payables:

| | Due From | Due To |
|---|---|---|
| General Fund | $ - | $ 220,562 |
| Agency Fund | - | (3,161) |
| Enterprise Fund | 405,448 | - |
| Motor Pool Fund | - | (19,540) |
| Information Technology Fund | - | 49,047 |
| Admin Building Improvements | - | 158,540 |
| Total | $ 405,448 | $ 405,448 |

The Center maintains a pooled cash account. These balances resulted from the time lag between the dates that inter-fund services were provided and payments between funds were made. Balances are not expected to be paid back within one year.

## NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended was as follows:

| | Beginning Balances | Additions | Disposals | Ending Balances |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | $ 7,185,794 | $ - | $ - | $ 7,185,794 |
| Furniture, equipment and computers | 850,090 | 12,332 | 1,700 | 860,722 |
| Vehicles | 381,589 | - | 84,241 | 297,348 |
| Total capital assets being depreciated | 8,417,473 | 12,332 | 85,941 | 8,343,864 |
| Accumulated depreciation | | | | |
| Buildings and improvements | 2,062,215 | 313,707 | - | 2,375,922 |
| Furniture, equipment and computers | 320,643 | 120,963 | 1,700 | 439,906 |
| Vehicles | 340,436 | 17,456 | 84,241 | 273,651 |
| Total accumulated depreciation | 2,723,294 | 452,126 | 85,941 | 3,089,479 |
| Governmental activities capital assets, net | $ 5,694,179 | $ (439,794) | $ - | $ 5,254,385 |
| | | | | |
| Business-type activities: | | | | |
| Depreciable assets: | | | | |
| Buildings and improvements | $ 1,278,368 | $ - | $ - | $ 1,278,368 |
| Less accumulated depreciation | 421,072 | 46,544 | - | 467,616 |
| Business-type activities capital assets, net | $ 857,296 | $ (46,544) | $ - | $ 810,752 |

**NOTE 6: CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to functions as follows:

| | |
|---|---|
| Governmental activities: | |
| Mental Health-Adult | $ 254,284 |
| Mental Health-Child | 64,414 |
| IDD | 89,823 |
| Administration | 43,605 |
| Total governmental | 452,126 |
| Business activities: | |
| Rental | 46,544 |
| Total government wide | $ 498,670 |

**NOTE 7: LONG-TERM OBLIGATIONS**

Long-term Obligations

In 2008, the Center's Board of Directors approved a bond issue in the amount of $2,875,000 in Gulf Bend Center Revenue Bonds, Series 2008. The proceeds of the bond issue were used to purchase and renovate a building to house the Center's operations. Current requirements for principal and interest expenditures are accounted for in the internal service fund and enterprise funds. Effective interest rates range from 2.74% to 8.25%. Interest expense for the year ended was $70,046.

Article IX of the bond agreement requires the Center to maintain a Debt Service Coverage Ratio for each fiscal year of not less than 1.1. At year-end, the Center's Debt Service Coverage Ratio exceeded 1.1.

Long-term Obligation Activity

The following is a summary of the Center's long-term obligations at year-end:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Compensated absences | $ 280,957 | $ - | $ - | $ 280,957 | $ 28,096 |
| Revenue bonds | 1,409,000 | - | 422,000 | 987,000 | - |
| Total Governmental Activities | 1,689,957 | - | 422,000 | 1,267,957 | 28,096 |
| Business-type Activities | | | | | |
| Revenue bonds | 5,000 | - | - | 5,000 | - |
| Total | $ 1,694,957 | $ - | $422,000 | $ 1,272,957 | $ 28,096 |

**NOTE 7: LONG-TERM OBLIGATIONS – (Continued)**

Debt Service Requirements

Debt service requirements on bonds payable at year-end are as follows:

| Year Ending | Governmental Activities | | Business-type Activities | | |
|---|---|---|---|---|---|
| August 31 | Principal | Interest | Principal | Interest | Total |
| 2021 | $ 228,000 | $ 46,182 | $ - | $ 413 | $ 274,595 |
| 2022 | 240,000 | 33,803 | - | 413 | 274,216 |
| 2023 | 253,000 | 20,763 | - | 413 | 274,176 |
| 2024 | 266,000 | 7,036 | 5,000 | 206 | 278,242 |
| Totals | $ 987,000 | $ 107,784 | $ 5,000 | $ 1,445 | $ 1,101,229 |

Line of Credit

In FY18, the Center entered into an agreement with First National Bank of Shiner to maintain a $1,200,000 line-of-credit. The agreement is set to expire May 23, 2021. The line is used primarily to fund the Delivery System Reform Incentive Payments. There was no amount outstanding at year-end.

**NOTE 8: LEASE RECEIVABLE**

The Center leases office space to several unrelated parties under separate lease agreements with expiration dates varying through June 2025. Total rental income under the leases was $230,525 for the fiscal year. Estimated future minimum rental payments to be received from unrelated parties under the formal leases are as follows:

| Year-end August 31 | |
|---|---|
| 2020 | $ 149,805 |
| 2021 | 121,041 |
| 2022 | 97,057 |
| 2023 | 38,825 |
| 2024 | 36,513 |
| Thereafter | 30,427 |
| Total | $ 473,668 |

The cost and accumulated depreciation of property and equipment owned by the Center that is leased primarily to unrelated parties under the leases described above was $1,278,368 and $467,616, respectively, at year-end.

## NOTE 9: COMMITMENTS UNDER NON-CAPITALIZED LEASES

Commitments under non-cancelable operating (non-capitalized) lease agreements for facilities, vehicles, and equipment provide for minimum future rental payments at year-end:

| Year-end August 31 | | |
|---|---|---|
| 2020 | $ | 135,868 |
| 2021 | | 129,662 |
| 2022 | | 92,576 |
| 2023 | | 49,394 |
| 2024 | | 708 |
| Thereafter | | 177 |
| Total | $ | 408,385 |

Rental expenditures for the year were $138,584.

## NOTE 10: EMPLOYEES' PENSION PLAN

The Center has a retirement plan, TCRT, a Gulf Bend Center Retirement Plan (the "Plan"), that is a combination 401(a) money purchase plan, Code Section 457 plan, and a Roth deferral plan which is sponsored by ISC Group Incorporated. All employees with one year of service who normally work more than 17½ hours per week or 1,000 hours a year and have attained the age of 18 are eligible to participate.

The 401(a) portion of the Plan is a defined contribution plan and accounts for the employer's contribution. The Center will match contributions up to 6% of the employees' salaries. Participants start to vest in the employer's contribution at the completion of one year of service with 100% vesting occurring after seven years. Forfeited contributions are held in a separate account and can be used to reduce future employer contributions. Amounts contributed to the 401(a) portion of the Plan are placed in a guaranteed fixed income account. Center and employee contributions for the fiscal year were $201,469 and $298,564, respectively.

The deferred compensation portion of the Plan is consistent with Internal Revenue Code Section 457(a). Vesting in the Plan is immediate. Employees may voluntarily contribute up to the maximum limits allowable under IRS Code guidelines.

All assets of the Plan are primarily invested in mutual funds and are held in trust at ISC Group Incorporated with the Center serving as trustee for the exclusive benefit of the Plan participants. The assets will not be diverted to any other purpose.

## NOTE 11: COMMITMENTS AND CONTINGENCIES

The Center participates in a number of state and federal financial assistance programs, Medicare, and Medicaid programs. The 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.

At year-end, the Center is not involved in any lawsuits that would have a material effect on the Center's financial position.

## NOTE 12: RISK MANAGEMENT

Workers' Compensation

The Center provides workers' compensation benefits to its employees through participation in the Texas Council Risk Management Fund (the "Fund"). The Fund is a self-insurance pool created under Texas law through inter-local agreements among Texas community MHMR centers and the Fund. The Fund exists solely to provide coverage protection and risk management services for its members.

As an alternative to the standard, guaranteed cost workers' compensation coverage, the Fund offers a Minimum Contribution Plan (MCP), in which the Center participates. Under the MCP, which is considered a retrospectively rated policy, premiums are accrued based on the ultimate cost of the loss experience to date and a six-year look-back period. Center contributions to the Fund are determined based on actual workers' compensation losses for a given year, subject to minimum and maximum amounts. Minimum and maximum amounts are determined based on 60% and 110%, respectively, of the Center's Audited Standard Contribution, which is determined by the Fund based on the Center's gross employee compensation and applicable rates and loss experience modifiers.

In prior years, the statement of net position and balance sheet included a loss reserve liability for estimated outstanding workers' compensation claims. The reserve was estimated based on information provided by management of the Fund and prior year experience. The loss reserve did not include an estimate of claims incurred but not reported as it could not be reasonably estimated. In the current year, the Center was not required to include a loss reserve liability for estimated outstanding claims due to low claims in prior years.

Health Insurance

The Center provides health insurance benefits though a self-insured health insurance plan (the "Plan"). The Plan provides health benefits (medical, hospital, surgical, and major medical) to all eligible employees. The Plan is funded by contributions from the Center and from eligible employees for dependent coverage, if elected. Contributions are based on rates established and approved by the Center. The rates are calculated by the Plan's third-party administrator, Blue Cross Blue Shield of Texas (BCBS), and are based on historical claims cost data. Center and employee contributions are made monthly. The contract between the Center and BCBS is renewable on September 1st of each year. Terms of coverage and contribution rates are included in contractual provisions.

The Center is protected against catastrophic individual and aggregate losses by stop-loss insurance coverage through BCBS. The individual stop-loss limit insurance reimburses the Center for any losses exceeding a specified amount per participant per year. Such limit was $75,000 for the fiscal year ended. Specific loss reimbursements for the year were $98,625.

The aggregate excess loss insurance reimburses the Center for loss amounts in excess of a predetermined amount of total losses for a year, based on an "attachment point" as defined in the insurance contract. For the year ended, the aggregate health stop-loss limit was $951,791. The Center did not exceed the aggregate loss reimbursement limit for the year.

Total contributions to the Plan (including stop-loss insurance premiums and administrative fees) were $966,337 for the year.

The accompanying statement of net position and balance sheet include a loss reserve grouped with Accrued salaries and related payables for estimated outstanding medical claims of $105,854. The reserve was estimated based on actual claims paid during the 60-day period immediately following the close of the fiscal year as provided by BCBS.

**NOTE 12: RISK MANAGEMENT - (Continued)**

Health Insurance – (continued)

Changes in the health claims liability are presented below:

| | Year Ended August 31 2019 | 2018 |
|---|---|---|
| Beginning of year balance | $ 68,256 | $ 100,902 |
| Claims incurred | 865,225 | 662,360 |
| Claims paid | (827,627) | (695,006) |
| End of year balance | $ 105,854 | $ 68,256 |

**NOTE 13: ECONOMIC DEPENDENCE**

The Center received a substantial portion of its revenues in the form of annual performance contracts with HHSC to provide mental health and/or IDD services to its service area. The Center is economically dependent on the continuation of these contracts. At August 31, 2019, 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 |
|---|---|---|
| Medicaid/Medicare services | $ 1,492,544 | 12.86% |
| Delivery system reform incentive payment | 1,972,576 | 16.99% |
| General revenue | 4,673,539 | 40.26% |

**NOTE 14: 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 15: 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 $939,784 during the year ending August 31, 2019.

# COMBINING FUND STATEMENTS

## INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided to departments of the Center on a cost-reimbursement basis.

**Motor Pool Fund** - Accounts for the costs of operating and maintaining the vehicles used by various Center departments.

**Information Technology Fund** - Accounts for the costs associated with maintaining the Center's network system.

**Admin Building Improvements Fund** - Accounts for the costs associated with improvements made on Administrative Building.

**GULF BEND CENTER**

*COMBINING STATEMENT OF NET POSITION*

*INTERNAL SERVICE FUNDS*

*August 31, 2019*

| | Motor Pool | Information Technology | Administrative Building | Totals |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current: | | | | |
| Due from other funds | $ 19,540 | $ - | $ - | $ 19,540 |
| Prepaid items | 10,319 | 15,048 | 7,743 | 33,110 |
| Noncurrent: | | | | |
| Capital assets, net | 7,150 | 368,867 | 1,325,482 | 1,701,499 |
| **Total assets** | 37,009 | 383,915 | 1,333,225 | 1,754,149 |
| **LIABILITIES** | | | | |
| Current: | | | | |
| Due to other funds | - | 49,047 | 158,540 | 207,587 |
| Non-current: | | | | |
| Bonds payable | - | - | 987,000 | 987,000 |
| **Total liabilities** | - | 49,047 | 1,145,540 | 1,194,587 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 7,150 | 368,867 | 338,482 | 714,499 |
| Unrestricted | 29,859 | (33,999) | (150,797) | (154,937) |
| **Total net position** | $ 37,009 | $ 334,868 | $ 187,685 | $ 559,562 |

**GULF BEND CENTER**

*COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION*
*INTERNAL SERVICE FUNDS*
*For the year ended August 31, 2019*

| | Motor Pool | Information Technology | Administrative Building | Totals |
|---|---|---|---|---|
| **OPERATING REVENUES:** | | | | |
| Charges for service | $ 269,575 | $ 560,046 | $ 274,870 | $ 1,104,491 |
| Delivery system reform incentive payment | - | 98,988 | - | 98,988 |
| **Total operating revenues** | 269,575 | 659,034 | 274,870 | 1,203,479 |
| **OPERATING EXPENSES:** | | | | |
| Personnel | 39,957 | 204,761 | 28,864 | 273,582 |
| Employee benefits | 13,447 | 56,522 | 9,371 | 79,340 |
| Professional and consultants fees | - | 951 | 44,660 | 45,611 |
| Training and travel | 123 | 8,429 | 582 | 9,134 |
| Consumable supplies | 38 | 314 | 3,310 | 3,662 |
| Other expenditures | 2,243 | 17,522 | 5,927 | 25,692 |
| Depreciation | 4,290 | 107,638 | 134,404 | 246,332 |
| Computer expense | - | 262,897 | - | 262,897 |
| Vehicle expense | 218,394 | - | - | 218,394 |
| Building expense | - | - | 210,187 | 210,187 |
| **Total operating expenses** | 278,492 | 659,034 | 437,305 | 1,374,831 |
| **OPERATING INCOME (LOSS)** | (8,917) | - | (162,435) | (171,352) |
| **NON-OPERATING REVENUE (EXPENSE):** | | | | |
| Sale of assets | 8,917 | - | - | 8,917 |
| Interest expense | - | - | (70,046) | (70,046) |
| **Total non-operating revenue (expense)** | 8,917 | - | (70,046) | (61,129) |
| **Income (loss) before transfers and other** | - | - | (232,481) | (232,481) |
| Transfer in (out) | - | - | 232,481 | 232,481 |
| Transfer of debt to ISF | - | - | (1,409,000) | (1,409,000) |
| Net change in net position | - | - | (1,409,000) | (1,409,000) |
| Net position, beginning of year | 37,009 | 334,868 | 1,596,685 | 1,968,562 |
| **Net position, end of year** | $ 37,009 | $ 334,868 | $ 187,685 | $ 559,562 |

## GULF BEND CENTER

*COMBINING STATEMENT OF CASH FLOWS*
*INTERNAL SERVICE FUNDS*
*For the year ended August 31, 2019*

| | Motor Pool | Information Technology | Administrative Building | Totals |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Cash received from users | $ 265,285 | $ 559,506 | $ 562,466 | $ 1,387,257 |
| Cash payments to suppliers | (274,202) | (551,396) | (302,901) | (1,128,499) |
| **Net cash provided (used) by operating activities** | (8,917) | 8,110 | 259,565 | 258,758 |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | | | | |
| Disposal of capital assets | 8,917 | - | - | 8,917 |
| Acquisition of capital assets | - | (8,110) | - | (8,110) |
| Principal paid | - | - | (422,000) | (422,000) |
| Interest paid | - | - | (70,046) | (70,046) |
| **Net cash provided (used) by capital financing activities** | 8,917 | (8,110) | (492,046) | (491,239) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | |
| Transfers in | - | - | 232,481 | 232,481 |
| **Net cash provided (used) by noncapital financing activities** | - | - | 232,481 | 232,481 |
| Net increase in cash and cash equivalents | - | - | - | - |
| Cash and cash equivalents, beginning of year | - | - | - | - |
| **Cash and cash equivalents, end of year** | $ - | $ - | $ - | $ - |

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

| | Motor Pool | Information Technology | Administrative Building | Totals |
|---|---|---|---|---|
| **Operating income (loss):** | $ (8,917) | $ - | $ (162,435) | $ (171,352) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation | 4,290 | 107,638 | 134,404 | 246,332 |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in receivables | 23,150 | 150,000 | 32,742 | 205,892 |
| (Increase) decrease in internal balances | (34,038) | (259,132) | 417,214 | 124,044 |
| (Increase) decrease in prepaid items | 6,598 | 9,604 | 1,890 | 18,092 |
| Increase (decrease) in payable | - | - | (164,250) | (164,250) |
| **Net cash provided (used) by operating activities** | $ (8,917) | $ 8,110 | $ 259,565 | $ 258,758 |

| | | | | |
|---|---|---|---|---|
| Noncash investing and financing activities transfer of debt from governmental activities | | | | $ 1,409,000 |

# FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the Center in a trustee capacity or as an agent for other agencies, individuals, private organizations or governmental units.

## GULF BEND CENTER

*AGENCY FUNDS*
*STATEMENT OF CHANGES IN ASSETS AND LIABILITIES*
*For the year ended August 31, 2019*

| | Balance at Beginning of Year | Additions | Deductions | Balance at End of Year |
|---|---|---|---|---|
| **CAFETERIA FUND** | | | | |
| Assets | | | | |
| Cash in bank | $ 3,027 | $ 362,994 | $ 363,105 | $ 2,916 |
| Liabilities | | | | |
| Due to others | $ 3,027 | $ 362,994 | $ 363,105 | $ 2,916 |

# STATISTICAL SECTION

This part of the Center's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Center's overall financial health.

**Financial Trends**

These schedules contain trend information to help the reader understand how the Center's financial performance and well-being have changed over time.

**Revenue Capacity**

Not applicable to the Center.

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the Center's current levels of outstanding debt and the Center's ability to issue additional debt in the future.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Center's financial activities take place and to help make comparisons over time and with other governments.

**Operating Information**

These schedules contain information about the Center's operations and resources to help the reader understand how the Center's financial information relates to the services the Center provides and the activities it performs.

**GULF BEND CENTER**

*NET POSITION BY COMPONENT*

*Last ten fiscal years*

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Governmental activities | | | | | | | | | | |
| Net investments in capital assets | $ 4,267,385 | $ 4,285,179 | $ 4,385,516 | $ 4,212,203 | $ 4,355,485 | $ 2,843,505 | $ 485,158 | $ 296,875 | $ 378,429 | $ 138,102 |
| Restricted | - | - | - | - | - | 240,840 | 5,238 | - | - | - |
| Unrestricted | 3,597,300 | 2,971,308 | 2,445,705 | 2,732,295 | 860,448 | 2,930,124 | 2,888,838 | 2,913,640 | 3,312,175 | 2,538,249 |
| Total governmental activities Net position | 7,864,685 | 7,256,487 | 6,831,221 | 6,944,498 | 5,215,933 | 6,014,469 | 3,379,234 | 3,210,515 | 3,690,604 | 2,676,351 |
| Business-type activities | | | | | | | | | | |
| Net investments in capital assets | 805,752 | 852,296 | 898,807 | 923,173 | 966,902 | 1,010,630 | 1,054,359 | 1,098,088 | 1,284,670 | 1,143,453 |
| Unrestricted | 394,623 | 256,834 | 129,579 | 20,322 | 384,069 | 258,214 | 161,704 | 535,154 | 171,258 | 48,784 |
| Total business-type activities Net position | 1,200,375 | 1,109,130 | 1,028,386 | 943,495 | 1,350,971 | 1,268,844 | 1,216,063 | 1,633,242 | 1,455,928 | 1,192,237 |
| Total primary government | $ 9,065,060 | $ 8,365,617 | $ 7,859,607 | $ 7,887,993 | $ 6,566,904 | $ 7,283,313 | $ 4,595,297 | $ 4,843,757 | $ 5,146,532 | $ 3,868,588 |

**GULF BEND CENTER**
*CHANGES IN NET POSITION*
*Last ten fiscal years*

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 |
| Expenses, governmental activities: | | | | |
| Mental Health-Adult | $ 6,810,444 | $ 6,441,077 | $ 6,394,805 | $ 4,120,633 |
| Mental Health-Child | 1,725,174 | 1,622,864 | 1,555,665 | 1,728,731 |
| IDD | 2,405,720 | 2,543,892 | 2,651,123 | 5,959,165 |
| Interest on long-term debt | 70,046 | 79,171 | 88,933 | 93,686 |
| Total expenses, governmental | 11,011,384 | 10,687,004 | 10,690,526 | 11,902,215 |
| Program revenues, governmental activities: | | | | |
| Charges for services | | | | |
| Mental Health-Adult | 630,088 | 501,359 | 507,495 | 766,866 |
| Mental Health-Child | 139,648 | 222,727 | 154,882 | 307,716 |
| IDD | 828,400 | 898,079 | 866,786 | 2,163,206 |
| Total charges for services | 1,598,136 | 1,622,165 | 1,529,163 | 3,237,788 |
| Operating grants and contributions | 6,560,366 | 6,185,958 | 5,885,700 | 5,421,739 |
| Total program revenues, governmental | 8,158,502 | 7,808,123 | 7,414,863 | 8,659,527 |
| Total net program expenses | (2,852,882) | (2,878,881) | (3,275,663) | (3,242,688) |
| General revenues, governmental activities: | | | | |
| Local income | 3,363,114 | 3,252,858 | 3,092,272 | 3,055,209 |
| Investment earnings | 85,649 | 50,397 | 38,851 | 37,049 |
| Total general revenues, governmental | 3,448,763 | 3,303,255 | 3,131,123 | 3,092,258 |
| Nonoperating income: | | | | |
| Transfer | - | - | - | 500,000 |
| Gain (Loss) on asset disposal | 12,317 | 892 | 31,263 | 1,378,995 |
| | 12,317 | 892 | 31,263 | 1,878,995 |
| Total changes in net position, Governmental activities | 608,198 | 425,266 | (113,277) | 1,728,565 |
| Expenses, business-type activities: | | | | |
| Rental | 138,867 | 147,547 | 150,632 | 140,037 |
| Interest on long-term debt | 413 | 412 | 412 | 412 |
| Total expenses, business-type | 139,280 | 147,959 | 151,044 | 140,449 |
| Program revenues, business-type activities: | | | | |
| Charges for services | | | | |
| Rental | 230,525 | 228,703 | 235,935 | 232,973 |
| Nonoperating income: | | | | |
| Transfer | - | - | - | (500,000) |
| Gain on sale of assets | - | - | - | - |
| | - | - | - | (500,000) |
| Total changes in net position, Business-type activities | 91,245 | 80,744 | 84,891 | (407,476) |
| Changes in net position, Primary government | $ 699,443 | $ 506,010 | $ (28,386) | $ 1,321,089 |

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| $ 3,877,071 | $ 4,381,497 | $ 3,026,708 | $ 3,550,423 | $ 3,352,657 | $ 3,925,479 |
| 1,418,102 | 1,858,645 | 995,178 | 853,819 | 971,582 | 1,264,290 |
| 7,500,216 | 4,867,680 | 5,147,572 | 4,783,264 | 4,609,556 | 4,111,358 |
| 102,730 | 111,366 | 119,590 | 127,410 | 134,806 | 141,837 |
| 12,898,119 | 11,219,188 | 9,289,048 | 9,314,916 | 9,068,601 | 9,442,964 |
| 653,538 | 914,356 | 474,363 | 527,406 | 592,423 | 490,823 |
| 269,305 | 487,260 | 219,428 | 230,650 | 105,312 | 268,004 |
| 3,419,125 | 3,251,617 | 3,030,281 | 3,232,086 | 3,809,799 | 3,207,847 |
| 4,341,968 | 4,653,233 | 3,724,072 | 3,990,142 | 4,507,534 | 3,966,674 |
| 5,174,199 | 4,642,606 | 4,145,348 | 4,235,758 | 3,904,821 | 4,181,671 |
| 9,516,167 | 9,295,839 | 7,869,420 | 8,225,900 | 8,412,355 | 8,148,345 |
| (3,381,952) | (1,923,349) | (1,419,628) | (1,089,016) | (656,246) | (1,294,619) |
| 2,550,676 | 4,564,136 | 1,056,105 | 571,825 | 1,781,677 | 1,331,205 |
| 32,740 | 38,233 | 18,342 | 37,102 | 21,626 | 21,998 |
| 2,583,416 | 4,602,369 | 1,074,447 | 608,927 | 1,803,303 | 1,353,203 |
| - | - | 500,000 | - | - | - |
| - | (7,046) | 80,038 | - | - | - |
| - | (7,046) | 580,038 | - | - | - |
| (798,536) | 2,671,974 | 234,857 | (480,089) | 1,147,057 | 58,584 |
| 148,404 | 170,251 | 133,814 | 147,007 | 135,303 | 126,558 |
| 412 | 412 | 412 | 412 | 412 | 410 |
| 148,816 | 170,663 | 134,226 | 147,419 | 135,715 | 126,968 |
| 230,943 | 223,444 | 217,047 | 264,714 | 238,003 | 170,102 |
| - | - | (500,000) | - | - | - |
| - | - | - | 60,019 | - | - |
| - | - | (500,000) | 60,019 | - | - |
| 82,127 | 52,781 | (417,179) | 177,314 | 102,288 | 43,134 |
| $ (716,409) | $ 2,724,755 | $ (182,322) | $ (302,775) | $ 1,249,345 | $ 101,718 |

**GULF BEND CENTER**

*FUND BALANCES - GOVERNMENTAL FUNDS*

*Last ten fiscal years*

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| General fund | | | | | | | | | | |
| Nonspendable | $ 24,396 | $ 37,250 | $ 18,799 | $ 54,646 | $ 285,632 | $ 267,790 | $ 262,506 | $ 228,375 | $ 230,508 | $ 220,375 |
| Assigned | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 |
| Restricted | - | - | - | - | - | 240,840 | - | - | - | - |
| Unassigned | 3,658,798 | 2,883,017 | 2,464,579 | 2,270,181 | 291,208 | 2,463,467 | 2,449,862 | 2,487,258 | 3,097,578 | 1,939,927 |
| Total general fund | $4,033,194 | $3,270,267 | $2,833,378 | $2,674,827 | $ 926,840 | $3,322,097 | $3,062,368 | $3,065,633 | $3,678,086 | $2,510,302 |

**GULF BEND CENTER**

*CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS*

*Last ten fiscal years*

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Revenues | | | | | | | | | | |
| Local funds | $ 4,822,626 | $ 4,675,338 | $ 4,171,943 | $ 5,900,353 | $ 6,597,756 | $ 8,496,198 | $ 4,695,407 | $ 4,608,739 | $ 5,844,550 | $ 5,196,509 |
| State programs | 5,560,861 | 5,209,897 | 5,522,807 | 5,053,528 | 4,683,566 | 4,254,072 | 3,738,189 | 3,695,589 | 4,009,281 | 3,564,011 |
| Federal programs | 1,138,130 | 1,175,746 | 812,385 | 760,855 | 785,519 | 1,109,705 | 491,929 | 493,397 | 340,201 | 553,939 |
| Interest income | 85,649 | 50,397 | 38,851 | 37,049 | 32,740 | 38,233 | 18,342 | 37,102 | 21,626 | 21,998 |
| Total revenues | 11,607,266 | 11,111,378 | 10,545,986 | 11,751,785 | 12,099,581 | 13,898,208 | 8,943,867 | 8,834,827 | 10,215,658 | 9,336,457 |
| Expenditures | | | | | | | | | | |
| Mental Health-Adult | 5,967,844 | 5,857,616 | 5,883,957 | 3,622,035 | 3,416,267 | 3,636,406 | 2,441,695 | 2,981,829 | 2,776,585 | 3,370,364 |
| Mental Health-Child | 1,511,733 | 1,475,857 | 1,431,391 | 1,519,554 | 1,249,555 | 1,542,575 | 839,794 | 738,629 | 822,657 | 1,068,054 |
| IDD | 2,108,080 | 2,313,455 | 2,439,340 | 5,238,105 | 6,608,790 | 4,039,912 | 4,318,762 | 4,104,232 | 3,907,734 | 3,456,090 |
| Administration | 1,023,379 | 746,354 | 881,311 | 1,349,680 | 1,252,153 | 1,674,949 | 1,380,103 | 1,266,532 | 1,203,181 | 1,193,166 |
| Capital outlay | 4,222 | 18,900 | 88,468 | 98,208 | 1,692,025 | 2,473,395 | 299,429 | 79,943 | 61,385 | 51,563 |
| Debt service principal | - | 186,836 | 185,017 | 177,000 | 169,000 | 161,000 | 153,000 | 145,000 | 138,000 | 96,000 |
| Debt service interest | - | 75,471 | 71,629 | 31,532 | 107,048 | 115,480 | 123,499 | 131,115 | 138,332 | 144,290 |
| Total Expenditures | 10,615,258 | 10,674,489 | 10,981,113 | 12,036,114 | 14,494,838 | 13,643,717 | 9,556,282 | 9,447,280 | 9,047,874 | 9,379,527 |
| Excess (deficiency) of revenues over expenditures | 992,008 | 436,889 | (435,127) | (284,329) | (2,395,257) | 254,491 | (612,415) | (612,453) | 1,167,784 | (43,070) |
| Other financing sources (uses) | | | | | | | | | | |
| Proceeds from sale of asset | 3,400 | - | - | 1,635,316 | - | - | 114,388 | - | - | - |
| Transfers in | 6,875 | - | - | 397,000 | - | - | 500,000 | - | - | - |
| Transfers out | (239,356) | - | (1,905,846) | - | - | - | - | - | - | - |
| Total other financing sources (uses) | (229,081) | - | (1,905,846) | 2,032,316 | - | - | 614,388 | - | - | - |
| Net changes in fund balances | $ 762,927 | $ 436,889 | $ (2,340,973) | $ 1,747,987 | $ (2,395,257) | $ 254,491 | $ 1,973 | $ (612,453) | $ 1,167,784 | $ (43,070) |
| Debt service as a percentage of non-capital expenditures | N/A | 2.46% | 2.36% | 1.75% | 2.16% | 2.48% | 2.99% | 2.95% | 3.07% | 2.58% |

**GULF BEND CENTER**

*SCHEDULE OF REVENUE AND EXPENDITURES BY SOURCE OF FUNDS*

*GENERAL FUND*

*For the year ended August 31, 2019*

| Fund Source | Total Revenue | Total Mental Health Adult Expenditures | Total Mental Health Children Expenditures | Total IDD Expenditures | Total Center Expenditures | Excess Revenue Over Expenditures |
|---|---|---|---|---|---|---|
| Objects of Expense: | | | | | | |
| Personnel | $ 5,545,929 | $ 2,317,674 | $ 736,310 | $ 941,304 | $ 3,995,288 | $ 1,550,641 |
| Employee benefits | 1,466,291 | 590,347 | 204,007 | 289,268 | 1,083,622 | 382,669 |
| Consultant services | 1,447,703 | 1,126,053 | 29,478 | 65,609 | 1,221,140 | 226,563 |
| Training and travel | 455,413 | 195,102 | 72,697 | 102,565 | 370,364 | 85,049 |
| Capital outlay | 4,222 | - | - | - | - | 4,222 |
| Non-capitalized equipment | 652 | 27 | - | - | 27 | 625 |
| Pharmaceutical expense | 83,730 | 79,673 | 14,631 | - | 94,304 | (10,574) |
| Other operating expense | 1,611,318 | 541,475 | 171,535 | 314,591 | 1,027,601 | 583,717 |
| Total Expenditures | $ 10,615,258 | $ 4,850,351 | $ 1,228,658 | $ 1,713,337 | $ 7,792,346 | $ 2,822,912 |
| Method of Finance: | | | | | | |
| General revenue - MH | $ 4,127,013 | $ 3,781,606 | $ 345,407 | | $ 4,127,013 | $ - |
| General revenue - IDD | 546,526 | | | 546,526 | 546,526 | - |
| Mental health block grant | 226,608 | 157,404 | 69,204 | | 226,608 | - |
| Title XX-TANF | 78,941 | | 78,941 | | 78,941 | - |
| Title XX-SS block grant | 56,925 | 56,925 | | | 56,925 | - |
| Other federal funds | 775,656 | 259,738 | 425,377 | 90,541 | 775,656 | - |
| Other state funds | 887,322 | 887,322 | - | - | 887,322 | - |
| Required local match | 441,122 | 357,309 | 30,879 | 52,934 | 441,122 | - |
| Additional local funds | 4,467,153 | 467,540 | 561,925 | 1,418,079 | 2,447,544 | 2,019,609 |
| Total Expended Sources | $ 11,607,266 | $ 5,967,844 | $ 1,511,733 | $ 2,108,080 | $ 9,587,657 | $ 2,019,609 |

Source: Gulf Bend Center

## GULF BEND CENTER

*RECONCILIATION OF TOTAL REVENUE TO FOURTH QUARTER FINANCIAL REPORT - GENERAL FUND*
*For the year ended August 31, 2019*

| | CARE Report III | Additions | Deletions | Audited Financial Statements |
|---|---|---|---|---|
| Local Funds: | | | | |
| City/County contributions | $ 186,216 | $ - | $ - | $ 186,216 |
| Client fees and insurance | 190,764 | 210,646 | - | 401,410 |
| Intermediate care facilities | - | 227,181 | - | 227,181 |
| Medicaid/Medicare services | 1,677,706 | - | 185,162 | 1,492,544 |
| Delivery system reform incentive | 1,972,576 | - | - | 1,972,576 |
| Patient Assistance Program (PAP) | 939,784 | - | 939,784 | - |
| Other | (243,023) | 785,722 | - | 542,699 |
| Total Local Funds | 4,724,023 | 1,223,549 | 1,124,946 | 4,822,626 |
| State Programs: | | | | |
| General revenue | 4,677,779 | - | 4,240 | 4,673,539 |
| DARS | 24,619 | - | - | 24,619 |
| TCOOMMI grant | 273,353 | - | - | 273,353 |
| Other | 589,350 | - | - | 589,350 |
| Total State Programs | 5,565,101 | - | 4,240 | 5,560,861 |
| Federal Programs: | | | | |
| Mental health block grant | 226,608 | - | - | 226,608 |
| Title XX-SS block grant | 56,925 | - | - | 56,925 |
| Title XX-TANF | 78,941 | - | - | 78,941 |
| STAR grant | 335,123 | - | - | 335,123 |
| FEMA grant | 77,461 | - | 76,533 | 928 |
| City Development Block grant | - | 14,900 | - | 14,900 |
| Medicaid administrative claiming | 424,705 | - | - | 424,705 |
| Other | 66,155 | - | 66,155 | - |
| Total Federal Programs | 1,265,918 | 14,900 | 142,688 | 1,138,130 |
| Interest Income | - | 85,649 | - | 85,649 |
| Total Revenues | $ 11,555,042 | $ 1,324,098 | $ 1,271,874 | $ 11,607,266 |

| | |
|---|---|
| **Total Revenues per Report III** | $ 11,555,042 |
| **Other Financing Sources** | 229,081 |
| **Net Income** | 762,927 |
| **PAP** | (939,784) |
| **Total Revenues per FY19 Audit** | $ 11,607,266 |

Source: Gulf Bend Center

## GULF BEND CENTER

*RECONCILIATION OF TOTAL EXPENDITURES TO FOURTH QUARTER FINANCIAL REPORT - GENERAL FUND*

*For the year ended August 31, 2019*

| | CARE Report III | Additions | Deletions | Audited Financial Statements |
|---|---|---|---|---|
| Objects of Expenditures: | | | | |
| Personnel | $ 4,796,186 | $ 868,464 | $ - | 5,664,650 |
| Employee benefits | 1,289,847 | 205,695 | - | 1,495,542 |
| Professional and consultant services | 1,378,828 | 92,568 | - | 1,471,396 |
| Training and travel | 411,187 | 80,777 | - | 491,964 |
| Consumable supplies | - | 191,935 | - | 191,935 |
| Building occupancy and operating costs | - | 1,076,581 | - | 1,076,581 |
| Other expenditures | - | 218,968 | - | 218,968 |
| Capital outlay | 4,222 | - | - | 4,222 |
| Non-capitalized equipment | 652 | - | 652 | - |
| Pharmaceutical expenses (other) | 83,730 | - | 83,730 | - |
| Pharmaceutical expenses (PAP) | 939,784 | - | 939,784 | - |
| Other operating expenses | 2,650,604 | - | 2,650,604 | - |
| Total Expenditures | $ 11,555,040 | $ 2,734,988 | $ 3,674,770 | $ 10,615,258 |

Source: Gulf Bend Center

## GULF BEND CENTER

*RATIOS OF OUTSTANDING DEBT BY TYPE*

*Last ten fiscal years*

| | Governmental Activities | Business-type Activities | | | |
|---|---|---|---|---|---|
| Fiscal Year | Revenue Bonds (1) | Revenue Bonds (1) | Total Primary Government | Percentage of Personal Income | Per Capita (2) |
| 2010 | 2,734,000 | 5,000 | 2,739,000 | 0.0675% | 35,177 |
| 2011 | 2,596,000 | 5,000 | 2,601,000 | 0.0588% | 38,154 |
| 2012 | 2,451,000 | 5,000 | 2,456,000 | 0.0504% | 41,212 |
| 2013 | 2,298,000 | 5,000 | 2,303,000 | 0.0448% | 43,084 |
| 2014 | 2,137,000 | 5,000 | 2,142,000 | 0.0391% | 45,407 |
| 2015 | 1,968,000 | 5,000 | 1,973,000 | 0.0356% | 45,497 |
| 2016 | 1,791,000 | 5,000 | 1,796,000 | 0.0344% | 42,847 |
| 2017 | 1,605,000 | 5,000 | 1,610,000 | 0.0270% | 49,060 |
| 2018 | 1,409,000 | 5,000 | 1,414,000 | 0.0228% | 51,045 |
| 2019 | 987,000 | 5,000 | 992,000 | (A) | (A) |

Note: The Center is not subject to a legal debt limit.

(A) Data was unavailable

Source: (1) Gulf Bend Center
(2) Bureau of Economic Analysis

**GULF BEND CENTER**

*CAPITAL ASSETS BY FUNCTION/PROGRAM*

*Last five years*

| | August 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and Improvements | | Furniture and Equipment | | Vehicles | |
| | Original Cost | Book Value | Original Cost | Book Value | Original Cost | Book Value |
| Function/Program: | | | | | | |
| Mental Health Adult | $ 4,024,977 | $ 2,693,766 | $ 483,068 | $ 236,098 | $ 213,739 | $ 13,273 |
| Mental Health Child | 1,034,553 | 692,387 | 124,165 | 60,685 | 54,938 | 3,412 |
| IDD | 1,439,362 | 963,311 | 172,749 | 84,430 | 76,435 | 4,747 |
| Administration | 686,903 | 459,718 | 82,440 | 40,293 | 36,476 | 2,265 |
| Total Capital Assets | $ 7,185,795 | $ 4,809,182 | $ 862,422 | $ 421,506 | $ 381,588 | $ 23,697 |

| | August 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and Improvements | | Furniture and Equipment | | Vehicles | |
| | Original Cost | Book Value | Original Cost | Book Value | Original Cost | Book Value |
| Function/Program: | | | | | | |
| Mental Health Adult | $ 4,164,586 | $ 3,538,594 | $ 84,453 | $ 607 | $ 20,388 | $ 7,136 |
| Mental Health Child | 15,588 | 12,048 | - | - | 20,550 | 7,877 |
| IDD | 185,474 | 37,811 | - | - | 26,669 | 14,700 |
| Administration | 4,098,481 | 2,392,390 | 765,637 | 528,839 | 313,981 | 11,440 |
| Total Capital Assets | $ 8,464,129 | $ 5,980,843 | $ 850,090 | $ 529,446 | $ 381,588 | $ 41,153 |

| | August 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and Improvements | | Furniture and Equipment | | Vehicles | |
| | Original Cost | Book Value | Original Cost | Book Value | Original Cost | Book Value |
| Function/Program: | | | | | | |
| Mental Health Adult | $ 4,259,724 | $ 3,774,344 | $ 191,957 | $ 53,866 | $ 20,388 | $ 11,214 |
| Mental Health Child | 15,588 | 13,120 | - | - | 20,550 | 11,987 |
| IDD | 168,710 | 25,964 | 21,907 | 15,265 | 24,894 | 19,500 |
| Administration | 3,979,322 | 2,498,559 | 544,533 | 157,103 | 411,421 | 37,009 |
| Total Capital Assets | $ 8,423,344 | $ 6,311,987 | $ 758,397 | $ 226,234 | $ 477,253 | $ 79,710 |

| | August 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and Improvements | | Furniture and Equipment | | Vehicles | |
| | Original Cost | Book Value | Original Cost | Book Value | Original Cost | Book Value |
| Function/Program: | | | | | | |
| Mental Health Adult | $ 123,429 | $ 52,611 | $ 131,701 | $ 4,119 | $ 235,115 | $ 28,840 |
| Mental Health Child | 3,440 | 1,775 | - | - | 147,535 | 35,375 |
| IDD | 168,710 | 27,545 | 6,205 | 178 | 233,501 | 58,487 |
| Administration | 8,057,215 | 6,516,717 | 620,597 | 205,728 | 27,540 | - |
| Total Capital Assets | $ 8,352,794 | $ 6,598,648 | $ 758,503 | $ 210,025 | $ 643,691 | $ 122,702 |

| | August 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and Improvements | | Furniture and Equipment | | Vehicles | |
| | Original Cost | Book Value | Original Cost | Book Value | Original Cost | Book Value |
| Function/Program: | | | | | | |
| Mental Health-Adult | $ 673,907 | $ 425,210 | $ 17,375 | $ 3,679 | $ 273,800 | $ 53,020 |
| Mental Health-Child | 3,440 | 2,038 | - | - | 181,443 | 54,237 |
| IDD | 752,245 | 139,650 | 19,296 | 4,086 | 425,559 | 35,849 |
| Administration | 2,814,295 | 1,666,137 | 72,191 | 15,285 | 46,052 | - |
| Total Capital Assets | $ 4,243,887 | $ 2,233,035 | $ 108,862 | $ 23,050 | $ 926,854 | $ 143,106 |

Source: Gulf Bend Center

**GULF BEND CENTER**

*SCHEDULE OF INDIRECT COSTS*

*For the year ended August 31, 2019*

| | Total Costs | Unallowable Costs | Total Adjusted Costs | Direct Costs | Indirect Costs |
|---|---|---|---|---|---|
| Personnel | $ 5,664,650 | $ - | $ 5,664,650 | $ 4,914,906 | $ 749,744 |
| Employee benefits | 1,495,542 | - | 1,495,542 | 1,319,099 | 176,443 |
| Capital outlay | 4,222 | 4,222 | - | - | - |
| Other | 3,450,843 | 119,175 | 3,331,668 | 3,050,340 | 281,328 |
| Total Expenditures | 10,615,257 | 123,397 | 10,491,860 | 9,284,345 | 1,207,515 |
| Other Uses: | | | | | |
| Depreciation | 205,794 | - | 205,794 | 197,889 | 7,905 |
| Internal Service Fund costs | 1,436,460 | - | 1,436,460 | 1,436,460 | - |
| Total Expenditures and Other Uses | $ 12,257,511 | $ 123,397 | $ 12,134,114 | $ 10,918,694 | $ 1,215,420 |
| Indirect Costs | | | | | $ 1,215,420 |
| Direct Costs | | | | | $ 10,918,694 |
| Indirect Cost Rate | | | | | 10.02% |

Source: Gulf Bend Center

## GULF BEND CENTER

*SCHEDULE OF INSURANCE IN EFFECT*
*For the year ended August 31, 2019*

| Type of Insurance | Coverage | Terms/Deductible | Effective Period |
|---|---|---|---|
| Workers' compensation* | Statutory Limit | Statutory/deductible N/A | 09/01/18 - 08/31/19 |
| General liability* | $1,000,000 | Combined single limit per occurrence and annual aggregate/$1,000 deductible | 09/01/18 - 08/31/19 |
| Automobile liability* | $1,000,000 | Combined single limit per occurrence and annual aggregate/$1,000 deductible | 09/01/18 - 08/31/19 |
| Professional liability* | $1,000,000 | Per occurrence<br>annual aggregate/$3,000,000<br>$1,000 deductible<br>-Sexual misconduct endorsement<br>annual aggregate/$300,000<br>- Expanded Employment Practices<br>per occurrence/$50,000<br>annual aggregate/$100,000 | 09/01/18 - 08/31/19 |
| Errors and omissions* | $1,000,000 | Per claim and annual aggregate/$2,500 deductible | 09/01/18 - 08/31/19 |
| Employee dishonesty* | $100,000 | Blanket coverage | 10/13/93 to present and continuing |
| Real and personal property* | Replacement Cost | Blanket limit each occurrence/ $5,000 deductible | 09/01/18 - 08/31/19 |
| Auto physical damage* | Actual Cash Value | Deductible varies by vehicle | 09/01/18 - 08/31/19 |
| Professional defense* | $25,000 | Per occurrence<br>annual aggregate/$50,000 | 09/01/18 - 08/31/19 |
| Cyber security Liability coverage* | $2,000,000 | Aggregate limit<br>regulatory defense & penalties<br>sublimit / $2,000,000<br>PCI fines, expenses & costs<br>sublimit / $2,000,000<br>$10,000 Retention | 09/01/18 - 08/31/19 |

* Most Insurance coverage is provided by the Texas Council Risk Management Fund. Cyber security is provided by Beazley Group. Employee dishonesty insurance is provided by CNA Surety.

Source: Gulf Bend Center

**GULF BEND CENTER**
*SCHEDULE OF BOND COVERAGE*
*For the year ended August 31, 2019*

| Name of Provider | Scope of Coverage | Amount | Effective Period |
|---|---|---|---|
| CNA Surety | | | |
| Employee Dishonesty Bond | Blanket coverage | $ 100,000 | 10/14/18- 10/14/19 |

Source: Gulf Bend Center

**GULF BEND CENTER**

*SCHEDULE OF LEASES IN EFFECT*

*For the year ended August 31, 2019*

| Lessor | Description/Location | Period | Terms |
|---|---|---|---|
| Office Systems 2000, Inc., Purified H2O | 5 Water Coolers | 09/05/13 to 6/24/19 | $ 225 mo |
| Office Systems 2000, Inc., Purified H2O | 5 Water Coolers | 6/25/19 to 6/24/24 | $ 333 mo |
| Toshiba Business Solutions, Inc. | 18 Copiers | 03/27/18 to 03/26/23 | $ 2,550 mo |
| / TFS Leasing | Contract #25498451 | | |
| Transfirst, LLC | Merchant Card Machine(s) | | |
| | Front Desk GBC - Victoria | 11/01/17 to 10/31/21 | $ 37 mo |
| | Contract #052-1470143-000 | | |
| | Wellness Center - Victoria | 08/25/16 to 08/24/20 | $ 37 mo |
| | Contract #052-1381160-000 | | |
| | Place 4 - Victoria / DeTar | 05/02/16 to 05/01/20 | $ 37 mo |
| | Contract #052-1349885-000 | | |
| | Place 4 - Port Lavaca | 11/01/17 to 10/31/21 | $ 37 mo |
| | Contract #052-1470144-000 | | |
| | GBC - Online Donations | 11/01/17 to 10/31/21 | $ 37 mo |
| Enterprise FM Trust | Vehicle Leases | | |
| | FT62J5 | 4/15/14 to 4/15/19 | $ 409 mo |
| | 227P9Q | 5/31/16 to 05/31/21 | $ 344 mo |
| | 227PB2 | 5/31/16 to 05/31/21 | $ 344 mo |
| | 227PB5 | 5/31/16 to 05/31/21 | $ 344 mo |
| | 227PBC | 5/31/16 to 05/31/21 | $ 350 mo |
| | 227P9W | 5/31/16 to 05/31/21 | $ 341 mo |
| | 22C2Z9 | 11/21/16 to 11/21/21 | $ 348 mo |
| | 22C2ZC | 11/21/16 to 11/21/21 | $ 348 mo |
| | 22C2XR | 11/21/16 to 11/21/21 | $ 348 mo |
| | 22C2XW | 11/21/16 to 11/21/21 | $ 348 mo |
| | 22C2VP | 11/21/16 to 11/21/21 | $ 348 mo |
| | 22GZZ7 | 5/19/17 to 05/19/22 | $ 720 mo |
| | 22H6Z5 | 9/26/17 to 09/26/22 | $ 351 mo |
| | 22H6Z7 | 11/6/17 to 11/06/22 | $ 356 mo |
| | 22H6Z8 | 9/26/17 to 09/26/22 | $ 353 mo |
| | 22RJBQ | 8/8/18 to 08/08/23 | $ 400 mo |
| | 22RJRX | 8/8/18 to 08/08/23 | $ 400 mo |
| | 22RJS4 | 8/8/18 to 08/08/23 | $ 400 mo |
| | 22RJ92 | 7/27/18 to 07/27/23 | $ 404 mo |
| | 22RJ9G | 7/31/18 to 07/31/23 | $ 399 mo |
| | 22RJP5 | 7/27/18 to 07/27/23 | $ 404 mo |
| | 22RJRQ | 7/27/18 to 07/27/23 | $ 404 mo |
| | 22RJNG | 7/27/18 to 07/27/23 | $ 404 mo |
| | 235BLP | 3/28/19 to 3/28/24 | $ 275 mo |
| ` | 234XC9 | 4/9/19 to 4/9/24 | $ 351 mo |
| Holladay Properties | 501 E. Colorado St. | 10/10/16 to 10/31/19 | $ 143 mo |
| | Victoria, TX 77901 | Auto Renews Annually | |
| Obfaulkner LLC | Place 4 Port Lavaca | 11/1/14 to 11/30/18 | $ 1,262 mo |
| | 225 N. Virginia, Suite #4 | Re-occupied 12/1/18 | |
| Obfaulkner LLC | Place 4 Port Lavaca | 7/1/15 to 6/3/19 | $ 950 mo |
| | 225 N. Virginia, Suite #6 | Re-occupied 6/4/19 | |
| Victoria Housing Authority | Activity Building | 8/1/12 to 8/31/19 | $ 500 mo |
| Pintey Powes | Mailing Machine | 7/25/19 - 10/25/19 | $ 59 mo |

Source: Gulf Bend Center

**GULF BEND CENTER**

*SCHEDULE OF PROFESSIONAL AND CONSULTING SERVICES*

*For the year ended August 31, 2019*

| Name | City | Type of Service | Amount |
|---|---|---|---|
| Ankura Consulting | Chicago | Legal | $ 5,000 |
| Baker & Hostetler LLC | Cleveland | Legal | 5,000 |
| City of Victoria | Victoria | MHO Services | 112,613 |
| Clinical Pathology Lab | Victoria | Medical Care | 21,305 |
| Corpus Christi Medical Center | Corpus Christi | Acute Care | 4,200 |
| Cross Creek Hospital | Austin | Inpatient Psychiatric Services | 351,600 |
| Datavox | Houston | IT Support Services | 35,723 |
| Delores White | Victoria | Evaluation Services | 6,080 |
| Eide Bailly LLP | Abilene | External Auditors | 38,000 |
| ETBHN | Lufkin | Monthly Dues & Authorization Srvs | 86,216 |
| Hatch Learning | Weimer | ABA Therapy | 13,287 |
| IDD Consumer Respite (Grouped) | Victoria | Respite Services | 19,248 |
| Jackson County | Edna | MHO Services | 935 |
| Lauren Richter | Victoria | Training | 1,736 |
| Masterword Services | Houston | Contract Monitoring | 1,026 |
| Medwise LTD | Houston | Medical Services | 5,621 |
| Paul Hamilton | Victoria | Diagnostics and Counseling | 11,603 |
| Psych Matters | Sugarland | Diagnostics and Counseling | 5,189 |
| Roloff Hnatek & Co. | Victoria | Tax-Exempt Services (F-990) | 690 |
| Shelby Sonntag | Hallettsville | Family Support Services | 315 |
| South Texas Psychiatric Associates | Corpus Christi | C&A MH Services | 241,770 |
| Sun Behavioral Houston | Houston | Inpatient Psychiatric Services | 257,400 |
| Swearingen Realty Group, LLC | Dallas | Leasing Commission | 4,428 |
| Tejas Behavioral Health Management | Austin | Managed Care Services | 7,500 |
| Texas Council | Austin | Risk Management Services | 19,550 |
| The Back Office | Victoria | Record Storage | 10,320 |
| The Harris Center | Houston | Crisis Hotline | 60,388 |
| Victoria City County Health Dept | Victoria | Medical Care | 65,000 |
| Victoria County | Victoria | MHO Services | 133,330 |
| Walker & Associates | Corpus Christi | Health Insurance Consultant | 30,875 |
| Woolson Real Estate | Victoria | Property Management | 63,600 |

Source: Gulf Bend Center

**GULF BEND CENTER**

*SCHEDULE OF LEGAL SERVICES*

*For the year ended August 31, 2019*

| Name | City | Type of Service | Amount |
|---|---|---|---|
| Baker & Hosstetler LLP | Cleveland OH | Legal Services | $ 5,000 |
| Ankura Consulting Group, LLC | Chicago, IL | Legal Services | $ 5,000 |

Source: Gulf Bend Center

**GULF BEND CENTER**
*MISCELLANEOUS STATISTICS*
*Last ten fiscal years*

| Fiscal Year | Unduplicated Clients Served | Mental Health Residential Client Days | IDD Residential Client Days |
|---|---|---|---|
| 2010 | 3,334 | 2,851 | 18,600 |
| 2011 | 3,133 | 2,654 | 18,468 |
| 2012 | 3,080 | 2,326 | 17,975 |
| 2013 | 4,600 | 1,450 | 19,705 |
| 2014 | 4,793 | 1,095 | 19,815 |
| 2015 | 5,102 | 730 | 20,805 |
| 2016 | 5,421 | 0 | 12,451 |
| 2017 | 4,837 | 0 | 0 |
| 2018 | 6,382 | 0 | 0 |
| 2019 | 6,616 | 0 | 0 |

Source: Gulf Bend Center

## GULF BEND CENTER

*TEN LARGEST EMPLOYERS*
*Current Year and Ten Years Ago*

| | 2019 | | |
|---|---|---|---|
| Employer | Employees | Rank | Percent of Total Regional Employment |
| Formosa Plastics Group | 3,048 | 1 | 3.31% |
| Victoria Independent School District | 2,000 | 3 | 2.17% |
| The Inteplast Group | 1,179 | 2 | 1.28% |
| DeTar Healthcare System | 950 | 5 | 1.03% |
| Citizen's Medical Center | 936 | 4 | 1.02% |
| DOW - Seadrift Operations | 611 | 8 | 0.66% |
| INVISTA | 610 | 7 | 0.66% |
| Caterpillar - NAHEX Victoria | 609 | 9 | 0.66% |
| Regency Post Acute Healthcare System | 600 | 6 | 0.65% |
| Calhoun Independent School District | 572 | 10 | 0.62% |
| | 11,115 | | 12.06% |

| | 2010 | | |
|---|---|---|---|
| Employer | Employees | Rank | Percent of Total Regional Employment |
| Victoria Independent School District | 2,128 | 1 | 2.40% |
| Formosa Plastics Group | 1,530 | 2 | 1.73% |
| The Inteplast Group | 1,300 | 3 | 1.47% |
| Citizen's Medical Center | 1,034 | 4 | 1.17% |
| DeTar Healthcare System | 986 | 5 | 1.11% |
| Calhoun Independent School District | 650 | 6 | 0.73% |
| HEB | 636 | 7 | 0.72% |
| Victoria County | 620 | 8 | 0.70% |
| DOW - Seadrift Operations | 607 | 9 | 0.69% |
| City of Victoria | 605 | 10 | 0.68% |
| | 10,096 | | 11.40% |

Source: Victoria Economic Development Corporation (based on Victoria metropolitan statistical area, which includes Victoria, Calhoun, Dewitt, Lavaca, Gonzales, Jackson, and Goliad Counties)

## GULF BEND CENTER

*DEMOGRAPHIC AND ECONOMIC STATUS STATISTICS*
*Last ten years*

| Fiscal Year | Population (1) | Personal Income (amounts expressed in thousands) (1) | Per Capita Personal Income (1) | Unemployment Rate (2) |
|---|---|---|---|---|
| 2010 | 115,410 | 4,059,773 | 35,177 | 7.90% |
| 2011 | 116,025 | 4,426,769 | 38,154 | 7.10% |
| 2012 | 118,188 | 4,870,783 | 41,212 | 5.90% |
| 2013 | 119,336 | 5,141,505 | 43,084 | 5.50% |
| 2014 | 120,515 | 5,472,258 | 45,407 | 4.30% |
| 2015 | 121,808 | 5,541,956 | 45,497 | 4.20% |
| 2016 | 121,949 | 5,225,180 | 42,847 | 5.50% |
| 2017 | 121,604 | 5,965,892 | 49,060 | 5.00% |
| 2018 | 121,598 | 6,206,970 | 51,045 | 3.80% |
| 2019 | (A) | (A) | (A) | 3.20% |

Sources:
(1) Bureau of Economic Analysis
(2) U.S. Department of Labor, Bureau of Labor Statistics

(A) Data was unavailable

Note: Both Sources (1) & (2) includes mostly the areas of Victoria & Calhoun Counties for reporting purposes.

**GULF BEND CENTER**

*FULL-TIME EQUIVALENT EMPLOYEES BY PROGRAM*

*Last ten fiscal years*

| | Full-time Equivalent Employees as of August 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Program | | | | | | | | | | |
| Mental Health-Adult | 59 | 55 | 57 | 52 | 68 | 60 | 60 | 50 | 52 | 37 |
| Mental Health-Child | 17 | 20 | 17 | 27 | 17 | 17 | 10 | 10 | 9 | 23 |
| IDD | 20 | 24 | 25 | 24 | 64 | 72 | 72 | 75 | 75 | 75 |
| General and Administrative | 33 | 32 | 30 | 34 | 40 | 31 | 22 | 28 | 22 | 23 |
| Total | 129 | 131 | 129 | 137 | 189 | 180 | 164 | 163 | 158 | 158 |

Source: Gulf Bend Center

**GULF BEND CENTER**

*RETIREMENT PLAN DATA*

*As of August 31, 2019*

Number of Plan Participants:

| | |
|---|---|
| Active | 109 |
| Inactive | 40 |
| Total | 149 |

Plan Assets and Liabilities (at fair value):

| | |
|---|---|
| Plan assets: | |
| Investments: | |
| Fixed Income | $ 582,743 |
| Equity | 4,148,704 |
| Total plan assets | $ 4,731,447 |
| Plan liabilities | None |

Source: Gulf Bend Center

# SINGLE AUDIT SECTION

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

To the Board of Directors
Gulf Bend Center
Victoria, Texas

We have audited, in accordance with 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 business-type activities, each major fund, and the aggregate remaining fund information of Gulf Bend Center ("the Center") as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Gulf Bend Center's basic financial statements, and have issued our report thereon dated December 4, 2019.

**Internal Control over Financial Reporting**
In planning and performing our audit of the financial statements, we considered Gulf Bend Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gulf Bend Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Gulf Bend Center's internal control.

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

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

**Compliance and Other Matters**
As part of obtaining reasonable assurance about whether Gulf Bend Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Eide Bailly LLP

Abilene, Texas
December 5, 2019

EideBailly
CPAs & BUSINESS ADVISORS

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

To the Board of Directors
Gulf Bend Center
Victoria, Texas

**Report on Compliance for Each Major Federal and State Program**

We have audited Gulf Bend Center's ("the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement,* State of Texas *Single Audit Circular* (TSAC) and *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers* that could have a direct and material effect on each of the Center's major federal and state programs for the year ended August 31, 2019. The Center's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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



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**Opinion on Each Major Federal and State Program**

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

**Report on Internal Control over Compliance**

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 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 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
December 5, 2019

| Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Agency or Pass-through Number | Expenditures |
|---|---|---|---|
| **STATE EXPENDITURES** | | | |
| **Texas Health & Human Services Commission (Formerly Texas Department of State Health Services)** | | | |
| General Revenue - MH | | 529-17-0038-00017 | $ 2,165,475 |
| General Revenue - C&A | | 529-17-0038-00017 | 345,407 |
| General Revenue - Crisis Services | | 529-17-0038-00017 | 379,825 |
| General Revenue - PESC | | 529-17-0038-00017 | 449,026 |
| General Revenue - PPB | | 529-17-0038-00017 | 467,280 |
| General Revenue - Veterans | | 529-17-0038-00017 | 70,000 |
| General Revenue - Waitlist | | 529-17-0038-00017 | 250,000 |
| Youth Empowerment Services Waiver | | 2017-049587-001 | 19,697 |
| Mental Health First Aid Grant Program | | 2017-049434-001 | 94,479 |
| **Texas Health & Human Services Commission (Formerly Texas Department of Aging & Disability Services)** | | | |
| General Revenue - IDD | | 529-18-0034-00001 | 335,939 |
| Permanency Planning | | 529-18-0034-00001 | 6,053 |
| Nursing Facility PASRR Service Coordination | | 529-18-0034-00001 | 139,518 |
| IDD Crisis Intervention Specialists | | 529-18-0034-00001 | 59,894 |
| IDD Crisis Respite Services | | 529-18-0034-00001 | 5,122 |
| **Texas Health & Human Services Commission** | | | |
| **(Formerly Texas Department of Assistive and Rehabilitative Services)** | | | |
| Community Rehabilitation Program | | 538-14-0001-000247 | 24,619 |
| **Texas Health & Human Services Commission** | | | |
| Community Mental Health Grant Program | | HHS000149700018 | 589,350 |
| **Total State Expenditures** | | | **5,401,684** |

| Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Agency or Pass-through Number | Expenditures |
|---|---|---|---|
| **FEDERAL EXPENDITURES** | | | |
| **U.S. Department of Health and Human Services** | | | |
| **Pass-through Texas Health & Human Services Commission (Formerly Texas Department of State Health Services)** | | | |
| TANF Title XX Block Grant - TANF Cluster | 93.558 | 529-17-0038-00017 | 78,941 |
| Base Title XX Block Grant | 93.667 | 529-17-0038-00017 | 56,925 |
| MH Block Grant | 93.958 | 529-17-0038-00017 | 226,608 |
| Total Texas Department of State Health Services | | | 362,474 |
| **Pass-through Texas Health & Human Services Commission (Formerly Texas Department of Aging & Disability Services)** | | | |
| Enhanced Community Coordination | 93.791 | 529-17-0038-00017 | 24,744 |
| **Pass-through Texas Health and Human Services Commission** | | | |
| Medicaid Administrative Claiming - Medicaid Cluster | 93.778 | 529-09-032-0001 | 424,705 |
| **Substance Abuse and Mental Health Services Administration** | | | |
| **Pass-through U.S. Department of Health and Human Services Commission** | | | |
| SAMHSA Hurricane Harvey Emergency Reponse Grant | 93.982 | H07SM065576 | 928 |
| **Administration for Children and Families** | | | |
| **Pass-through Texas Department of Family and Protective Services** | | | |
| Services to At Risk Youth | 93.556 | 24029606 / 24555473 | 335,123 |
| **U.S. Department of Housing and Urban Development** | | | |
| **Pass-through City of Victoria** | | | |
| Community Development Block Grant - CDBG Cluster | 14.218 | N/A | 14,900 |
| **Total Federal Expenditures** | | | **1,162,874** |
| **TOTAL STATE AND FEDERAL EXPENDITURES** | | | **$ 6,564,558** |

See the accompanying notes to the schedule of expenditures of state and federal awards.

## NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of state and federal awards includes grant activity of the Center and is presented on the modified accrual basis of accounting. The information in this schedule 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*; *Audits of States, Local Governments; and Non-Profit Organizations* and the *State of Texas Single Audit Circular*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The Center did not elect to use the 10% de minimis indirect cost rate.

## NOTE 2: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

State and federal awards do not include monies received from Medicare and Medicaid. These monies are considered local source revenue in the general fund.

## NOTE 3: STATE AWARD GUIDELINES

The Center is required by the Texas Health and Human Services Commission to audit General Revenue Mental Health Adult and IDD as a type A major state program.

## NOTE 4: RECONCILIATION TO FINANCIAL STATEMENTS

| | | |
|---|---|---|
| Total expenditures of state awards - Schedule of Expenditures of State and Federal Awards | $ | 5,401,684 |
| Plus: Contracts not considered a grant | | |
| TCOOMMI | | 273,353 |
| Less: Contracts grouped with billed services (local funds) | | |
| Youth Empowerment Services Waiver | | 19,697 |
| Mental Health First Aid Grant | | 94,479 |
| Total state program revenues - Statement of Revenues, Expenditures, and Changes in Fund Balances | $ | 5,560,861 |

| | | |
|---|---|---|
| Total expenditures of federal awards - Schedule of Expenditures of State and Federal Awards | $ | 1,162,874 |
| Less: Contracts grouped with billed services (local funds) | | |
| Enhanced Community Coordination | | 24,744 |
| Total federal program revenues - Statement of Revenues, Expenditures, and Changes in Fund Balances | $ | 1,138,130 |

## NOTE 5: SUBRECIPIENTS

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

**GULF BEND CENTER**
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*
*For the year ended August 31, 2019*

## Section I - Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(s) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

*Federal Awards*

Internal control over major programs:
- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(s) identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported with Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*? ☐ yes ☒ no

Identification of major programs:

| *CFDA Number(s)* | *Name of State or Federal Program or Cluster* |
|---|---|
| 93.778, 93.958 | Medicaid Administrative Claiming, Mental Health Block Grant |

*State Awards*

Internal control over major programs:
- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(s) identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State of Texas Single Audit Circular? ☐ yes ☒ no

Identification of major programs:

| *CFDA Number(s)* | *Name of State or Federal Program or Cluster* |
|---|---|
| N/A (State Program) | GR- Mental Health Adult and Crisis, IDD, Community MH Grant Program |

Dollar threshold used to distinguish between type A and type B programs: Federal-$750,000 State-$300,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

## Section II - Financial Statement Findings

None noted.

## Section III - Federal Award Findings and Questioned Costs

None noted.

## Financial Statement Findings

The audit disclosed no findings required to be reported.

## State and Federal Award Findings and Questioned Costs

The audit disclosed no findings required to be reported.