

**PECAN VALLEY CENTERS
FOR
BEHAVIORAL & DEVELOPMENTAL HEALTHCARE
Request for Proposal – FY21 Annual Financial and Compliance Audit**

Pecan Valley MHMR Region dba PECAN VALLEY CENTERS FOR BEHAVIORAL AND DEVELOPMENTAL HEALTHCARE (“PVC”) is requesting proposals from public accounting firms to perform its annual financial and compliance audit for fiscal year 2021.

I. BACKGROUND INFORMATION

Auditing requirements for PVC’s fiscal year (FY) 2021 audit are contained in the current *Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers*.

PVC’s FY 2020 operating budget was \$26,870,000. PVC received federal and state financial assistance for numerous programs, the more significant of which include State contracts from the Health and Human Services Commission (HHSC) and Federal contracts from the Substance Abuse and Mental Health Services Administration (SAMHSA). Included as part of this Request for Proposal packet are copies of the financial and compliance audits for the previous fiscal year (see Attachment A).

A. Purpose of the Audit

The purpose of this Request for Proposal is to obtain the services of a public accounting firm for the annual financial and compliance audit for fiscal year 2021. The organization-wide audit will encompass the general-purpose financial statements, combining statements and other schedules for PVC for the fiscal year ending August 31, 2021. The audit is to be performed in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Grant Management Standards, the Single Audit Act of 1996, OMB Circular A-133, the *Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers*, and the *State of Texas Single Audit Circular*.

The purpose of the audit is to determine whether: (1) the financial statements fairly present PVC’s financial position, results of operations and cash flows in accordance with generally accepted accounting principles; and (2) whether PVC has complied with laws and regulations for those transactions and events that may have a material effect on the financial statements. The audit will also include determining whether (1) financial reports and related items are fairly presented, and (2) financial information is presented in accordance with established or stated criteria.

As a part of the audit of the general-purpose financial statements, the annual audit will also include the independent auditor obtaining an understanding of PVC's internal control structure and identifying any reportable conditions relating to the internal control systems coming to the attention of the auditor. Any reportable condition or material weakness noted during the study and evaluation of internal accounting and administrative controls must be reported.

As part of the audit of the general-purpose financial statements, transactions and records pertaining to federal and state programs will be tested for material compliance

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with applicable federal and state laws, rules, and regulations. Any and all instances of noncompliance required to be reported under *Government Auditing Standards* will be reported as required. The independent auditor will inform PVC of the reportable item, prior to its submission.

The compliance audit, commonly referred to as the single audit, subjects to testing all federal and state financial assistance. Federal and state financial assistance must be treated as separate populations for the determination of major programs. Major Type A and Type B financial assistance programs (as defined by OMB Circular A-133 and TSAC) will be tested for compliance with laws and regulations, as well as compliance with specific requirements of the grants or contracts. All instances of noncompliance must be reported to PVC.

B. Independent Auditor

The proposer must demonstrate the ability to perform the annual financial and compliance audit in accordance with generally accepted government auditing standards.

C. Term of the Audit Engagement

The contract term for the audit services based upon Board of Trustee's approval of the proposal will be for the fiscal year ending August 31, 2021. PVC may request to extend the contract for up to five additional one-year terms through August 31, 2026, following satisfactory delivery of the services specified in the proposal and engagement letter. The engagement can be terminated without cause.

D. Dispute Resolution

Disputes concerning the terms of contracted services that cannot be resolved may be brought before an independent mediation center, whose decision will be binding upon both parties. PVC reserves the right to decide whether a dispute will be taken to mediation.

II. TECHNICAL PROPOSAL CONTENT

NOTE: THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COST INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

A. Cover Letter

See conditions for submission of proposal in Section IV.

B. Technical Component

To describe clearly the public accounting firm's understanding of the work to be performed, the proposer will:

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1. Provide a definition of the term "generally accepted government auditing standards" with clear distinctions between these standards and generally accepted auditing standards for non-governmental engagements.
2. Explain the proposer's approaches to performing an annual financial and compliance audit, including the methodology, nature and extent of audit procedures to be performed.
3. Describe how the approach to performing the audit would be affected if this were a multiyear contract; and
4. Make a statement concerning the independence of the proposer, including direct and indirect financial interest, and the relationship of the proposed audit team members to Executive Staff of PVC and any of the PVC Board of Trustees members. (See Attachment B for a full roster.)

C. Management Component

The proposer will furnish satisfactory evidence of ability to provide, in a professional and timely manner, the services stated in this Request for Proposal. To meet this requirement, the proposer will:

1. Provide the name of the external quality control review organization of which the proposer is a member and the proposer's length of membership. Also, state the review organization's planned frequency of peer reviews.
2. State whether the proposer has received a peer review within the past 36 months and whether, in the most recent review, an unqualified report was issued, or a rating of "pass" was received (a copy of the peer review report must be provided to PVC).
3. State whether the proposer is a national, regional or local public accounting firm.
4. Provide evidence that the proposer has experience in performing annual financial and compliance audits for community mental health and individuals with intellectual/developmental disability centers within the past three (3) years. List current and past audit clients along with the names and telephone numbers of contact persons and the dates audit services were provided.
5. State whether the proposer is currently under the terms of a public or private reprimand by the Texas State Board of Public Accountancy and/or licensing boards of other states.
6. Describe the proposed audit team; identify the proposer's staff member who will direct the overall audit throughout the duration of the engagement. In addition, identify those staff members who will be responsible for planning, directing and conducting substantial portions of the fieldwork or reporting on this audit engagement. Include the educational background of all staff members named and professional licenses held.

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7. Describe continuing professional education in governmental accounting and auditing received by the proposed audit team during the last two (2) years.
8. Provide the names and qualifications of any needed outside specialists and consultants necessary to assist the proposer's staff members.
9. Describe the level of assistance that will be expected from PVC personnel.

D. Task/Activity Plan

The proposer must specify timelines and sequence for audit procedures, including names of staff to be assigned.

E. Evaluation

Proposer's methodologies, products and services will be evaluated, using a standardized evaluation/score sheet. (See Attachment C).

III. SEALED DOLLAR COST BID

A. Total All-Inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this Request for Proposal. PVC is not responsible for any expense incurred in preparing and/or submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

1. Legal name of proposer's firm.
2. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid and authorized to sign a contract/engagement letter with PVC.
3. A total all-inclusive maximum price for the fiscal year 2021 engagement as described in this Request for Proposal, including a description of how pricing would be affected if the engagement was for a multi-year time period.

B. Manner of Payment

Payments will be made in accordance with the contract/engagement letter.

IV. CONDITIONS FOR SUBMISSIONS OF PROPOSAL

PVC reserves the right to withdraw this Request for Proposal at any time without award. All proposals in response to this request must meet the following conditions in order to be considered:

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- A. Proposals must meet all requirements contained in this Request for Proposal. Failure to meet any of the requirements contained in this Request for Proposal could result in a proposal not being considered. PVC reserves the sole right to determine whether a proposal meets the stated requirements.
- B. Proposals must include a cover letter clearly stating the legal name of the firm and the name, address, telephone number and e-mail address of the proposer's authorized representative.
- C. PVC reserves the right to select any proposal, considering the quoted estimated fee and other factors.
- D. Proposers shall furnish additional information PVC may reasonably require.
- E. PVC will not be liable for any cost incurred in the preparation of proposals; and
- F. Proposers shall, upon request, send a representative for an oral interview prior to Board of Trustees approval of a proposal. PVC will not be liable for the costs incurred by the proposer in connection with such interview.
- G. A Proposer, if selected for engagement, must be willing to attend a one-day seminar (to be held in Austin, conducted by the Texas Health & Human Services Commission) regarding the current audit guidelines. Out of pocket expenses related to this seminar will be the responsibility of PVC and will be appropriated according to its Policy and Procedures. At the time of this writing, no seminar is anticipated for FY2021.

V. PROCEDURES FOR SUBMITTING PROPOSALS

A. Delivery

Mail Delivery

Responses to this Request for Proposal should be addressed to:

Wayne Vaughn, CFO
Pecan Valley Centers
2101 W. Pearl Street
Granbury, Texas 76048

Hand Delivery

Wayne Vaughn, CFO
Pecan Valley Centers
2101 W. Pearl St.
Granbury, Texas 76048

NO PROPOSALS WILL BE ACCEPTED VIA FAX

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Proposals must be received no later than 5:00 p.m., Friday, April 30, 2021

B. Number of Copies of Proposal

Proposers must submit three (3) copies of the technical proposal and one (1) sealed dollar cost bid. The technical proposals are to be sealed in a separate envelope from the sealed dollar cost bid. Each envelope must be clearly marked as “Technical Proposal” or “Sealed Dollar Cost Bid.”

VI. ASSISTANCE TO PROPOSERS

Proposers may contact Wayne Vaughn (817-579-4414) for technical assistance regarding the Request for Proposal process and/or PVC’s financial systems.

VII. STATEMENT OF REQUIREMENTS

- A. Fieldwork will be at the mutual convenience of PVC’s and the independent auditor’s schedules.
- B. On or before December 31st the preliminary draft of the reports will be presented to PVC for review and comment.
- C. Satisfactory delivery of the services specified in this Request for Proposal and the engagement letter shall be accomplished in time for PVC’s August 31, 2021 Board of Trustees’ meeting.
- D. The independent auditor will be required to present the reports to the Board of Trustees at the January meeting.
- E. The independent auditor will be required to provide a management letter containing comments oriented toward constructive improvements if any items are considered necessary.
- F. The independent auditor will provide PVC with 30 bound copies, one (1) unbound copy and one electronic Portable Document Format of the audit report, following the standards outlined herein.
- G. Copies of the independent auditor’s work papers will be made available to PVC and to its coordinating agencies upon request.

VIII. BOARD OF TRUSTEES APPROVAL

A proposal will be selected on or before June 1, 2021 barring decision by the Board of Trustees to reject all proposals submitted or some unforeseen circumstance.



Financial Statements

August 31, 2020

Pecan Valley Centers for Behavioral & Developmental HealthCare

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August 31, 2020

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Certificate of Board Approval
Year Ended August 31, 2020

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

Honorable Elizabeth Lawrence
Chair, Board of Trustees

Date

Listing of Officials

August 31, 2020

Board of Trustees

Elizabeth Lawrence	Chair
Edwin Seilheimer	Vice-Chair
Carolyn Myres	Secretary
Hank Jones	Trustee
Christy Massey	Trustee
Dr. Ed Dittfurth	Trustee
Judge Alfonso Campos	Trustee
Rita Wade	Trustee
Lynn Waddy	Trustee
Jerry Blaisdell	Trustee
Keith Scarbrough	Trustee
Sheriff Alan West	Trustee
Sheriff Roger Deeds	Trustee

Administrative Staff

Coke Beatty	Executive Director
Ruben DeHoyos	Associate Executive Director/Chief Operating Officer
Wayne Vaughn	Chief Financial Officer
Mark Chavez	Chief of IDD Services
Ashley Womack, Ph.D.	Chief of Behavioral Health Services
Arran Spoede	Director of IT



Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 discretely presented component unit, the major fund, and the aggregate remaining fund information of the Center as of August 31, 2020, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity 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 6-12 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's financial statements. The introductory and statistical sections shown on pages 1-2 and 37-45 are presented for purposes of additional analysis and are not a required part of the financial statements. The 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Single Audit Circular and is also not a required part of the basic financial statements.

The schedule of expenditures of state and federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state and federal awards is fairly stated, in all material respects, in relation to the financial statements taken 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 November 19, 2020, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

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

Abilene, Texas
November 19, 2020

As management of Pecan Valley Mental Health Mental Retardation Region dba Pecan Valley Centers for Behavioral & Developmental HealthCare (the Center), we offer readers of the Center's financial statements this overview and analysis of the financial activities of the Center for the fiscal year ended August 31, 2020. The Center's financial statements also include activity of the Center's discretely presented component unit, Pecan Valley Facilities, Inc. We encourage readers to consider the information presented here in conjunction with the Center's financial statements that begin on page 13.

FINANCIAL HIGHLIGHTS

- The assets of the Center exceeded its liabilities at the close of the fiscal year by \$15,400,885 (net position). Of this amount, \$14,105,581 (unrestricted net position) may be used to meet the Center's ongoing obligations.
- The Center's total net position (government-wide) increased by \$2,088,945.
- As of the close of the current fiscal year, the Center's governmental fund reported fund balance of \$15,079,689, an increase of \$3,013,270 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$13,159,718 or 55.7 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Center's finances in a manner that is 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. Net position is equivalent to the equity section of a private-sector balance sheet. 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 includes all the revenue and expenses generated by the Center's operations during the year. The accrual basis of accounting is used, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of the timing of related cash flows.

Both of the government-wide financial statements present the basic services provided by the Center. These services include Behavioral Health (Adult & Child), Intellectual and Developmental Disabilities, and General Administration. The Center does not have any business-type activities.

The government-wide financial statements can be found on pages 13-14 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 two categories: governmental funds and fiduciary funds.

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

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

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

The Center adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget and can be found on pages 19-20.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-36 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Center, assets exceeded liabilities by \$15,400,885 at the close of the most recent fiscal year.

A portion of the Center's net position (8.41 percent) reflects its investment in capital assets, less any related debt used to acquire the assets that is still outstanding. The Center uses these assets to provide services to the consumers that we serve; consequently, these assets are not available for future spending.

Governmental Activities Net Position

	Governmental Activities	
	2020	2019
Current and other assets	\$ 16,440,535	\$ 13,195,836
Capital assets, net	1,295,304	1,383,792
Total assets	<u>17,735,839</u>	<u>14,579,628</u>
Other liabilities	1,315,510	885,773
Due to other governments	221,707	-
Noncurrent liabilities	<u>797,737</u>	<u>381,915</u>
Total liabilities	<u>2,334,954</u>	<u>1,267,688</u>
Investment in capital assets	1,295,304	1,383,792
Unrestricted	<u>14,105,581</u>	<u>11,928,148</u>
Total net position	<u><u>\$ 15,400,885</u></u>	<u><u>\$ 13,311,940</u></u>

Pecan Valley Centers for Behavioral & Developmental HealthCare

Management's Discussion and Analysis

August 31, 2020

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

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

Pecan Valley Centers for Behavioral & Developmental HealthCare

Management's Discussion and Analysis

August 31, 2020

FINANCIAL ANALYSIS

As mentioned 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 fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Center's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Center. At the end of the current fiscal year, the Center's unassigned fund balance in the general fund was \$13,159,718. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 55.7 percent of total general fund expenditures.

Governmental Fund Change in Fund Balance		General Fund	
		2020	2019
Revenues			
Local		\$ 14,647,041	\$ 12,108,378
State programs		9,218,401	8,480,462
Federal programs		1,749,320	1,183,919
Investment earnings		124,742	249,933
Total revenues		25,739,504	22,022,692
Expenditures			
Behavioral Health		14,638,143	12,668,136
Intellectual & Developmental Disabilities		6,100,012	5,667,689
Administration		2,801,059	2,458,670
Capital outlay		87,020	378,264
Total expenditures		23,626,234	21,172,759
Other financing sources			
Proceeds from PPP loan		900,000	-
Net Change in Fund Balance		3,013,270	849,933
Fund Balance - Beginning		12,066,419	11,216,486
Fund Balance - Ending		\$ 15,079,689	\$ 12,066,419

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

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

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Pharmaceutical Assistance Programs (PAP) will continue to provide a significant cost savings in regards to the medications that the Center has to purchase.

Changes to the Delivery System Reform Incentive Payment (DSRIP) program will provide new challenges to the Center in FY21. Revenue from DSRIP is scheduled to see a decrease in FY21 of approximately \$650k from FY20. The State continues to look for mechanisms to offset this loss, including continued work on Alternative Payment Model (APM). The Center is actively involved in assisting the State with this effort.

FY21 will be the first year the Center begins the year operating as a Certified Community Behavioral Health Clinic (CCBHC), having received certification in the summer of FY20. The Center has secured a grant from the Substance Abuse and Mental Health Services Administration (SAMHSA) that will fund most of the required CCBHC activities over the next two years.

Challenges around COVID-19 operations are anticipated for FY21 and the Center will continue to adapt to changing billing regulations to maximize reimbursement for services. Federal and State COVID related assistance options will be reviewed and requested as situations warrant. The Payment Protection Program (PPP) loan acquired by the Center in FY20 is anticipated to be forgiven in FY21.

Notable other grants new to the FY21 budget year include a SAMHSA grant for Assisted Outpatient Treatment (AOT), a COVID related Crisis Counseling Program (CCP) and a new youth program partnership with Hood, Johnson and Parker County Juvenile Probation Offices funded by the Texas Juvenile Justice Department (TJJD).

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens and customers a general overview of the Center's finances and its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pecan Valley Centers for Behavioral & Developmental HealthCare, P.O. Box 729, 2101 W. Pearl St., Granbury, Texas, 76048.

Pecan Valley Centers for Behavioral & Developmental HealthCare

Statement of Net Position (Exhibit A-1)

August 31, 2020

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

Function / Programs	Expenses		
	Expenses	Administration Allocation	Expenses after Allocation of Administration
Primary Government			
Governmental Activities			
Behavioral Health	\$ 14,683,563	\$ 2,028,571	\$ 16,712,134
Intellectual & Developmental Disabilities	6,163,022	851,437	7,014,459
Administration	2,880,008	(2,880,008)	-
Total governmental activities	23,726,593	-	23,726,593
Total primary government	<u>\$ 23,726,593</u>	<u>\$ -</u>	<u>\$ 23,726,593</u>
Component Unit			
Pecan Valley Facilities, Inc.	<u>\$ 108,733</u>	<u>\$ -</u>	<u>\$ 108,733</u>
Total component unit	<u>\$ 108,733</u>	<u>\$ -</u>	<u>\$ 108,733</u>

See Notes to Financial Statements

Pecan Valley Centers for Behavioral & Developmental HealthCare

Statement of Activities (Exhibit A-2)

Year Ended August 31, 2020

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

Pecan Valley Centers for Behavioral & Developmental HealthCare

Balance Sheet – Governmental Fund (Exhibit B-1)

August 31, 2020

	General Fund	Total Governmental Funds
Assets		
Cash and cash equivalents	\$ 3,525,206	\$ 3,525,206
Investments	11,122,857	11,122,857
Accounts receivable, net	1,683,516	1,683,516
Prepaid expenses	108,956	108,956
	<u>108,956</u>	<u>108,956</u>
Total assets	<u>\$ 16,440,535</u>	<u>\$ 16,440,535</u>
Liabilities		
Accounts payable	\$ 512,115	\$ 512,115
Due to other governments	221,707	221,707
Accrued salaries and benefits	261,709	261,709
Unearned program revenues	35,103	35,103
	<u>35,103</u>	<u>35,103</u>
Total liabilities	<u>1,030,634</u>	<u>1,030,634</u>
Deferred inflows of resources		
Unavailable revenue- Medicaid	330,212	330,212
	<u>330,212</u>	<u>330,212</u>
Total deferred inflows of resources	<u>330,212</u>	<u>330,212</u>
Fund Balances		
Nonspendable		
Prepaid expenses	108,956	108,956
Assigned		
Self Insurance	1,811,015	1,811,015
Unassigned	13,159,718	13,159,718
	<u>13,159,718</u>	<u>13,159,718</u>
Total fund balances	<u>15,079,689</u>	<u>15,079,689</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,440,535</u>	<u>\$ 16,440,535</u>

Pecan Valley Centers for Behavioral & Developmental HealthCare
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position (Exhibit B-2)
August 31, 2020

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

Pecan Valley Centers for Behavioral & Developmental HealthCare
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund (Exhibit B-3)
Year Ended August 31, 2020

	General Fund	Total Governmental Funds
Revenues		
Local funds	\$ 14,647,041	\$ 14,647,041
State programs	9,218,401	9,218,401
Federal programs	1,749,320	1,749,320
Investment earnings	124,742	124,742
	<u>25,739,504</u>	<u>25,739,504</u>
Total revenues		
Expenditures		
Current		
Behavioral Health	14,638,143	14,638,143
Intellectual & Developmental Disabilities	6,100,012	6,100,012
Administration	2,801,059	2,801,059
Capital outlay	87,020	87,020
	<u>23,626,234</u>	<u>23,626,234</u>
Total expenditures		
Excess of Revenues Over Expenditures	2,113,270	2,113,270
Other Financing Sources		
Proceeds from PPP loan	900,000	900,000
	<u>900,000</u>	<u>900,000</u>
Total Other Financing Sources		
Net Change in Fund Balance	3,013,270	3,013,270
Fund Balance, September 1	12,066,419	12,066,419
Fund Balance, August 31	<u>\$ 15,079,689</u>	<u>\$ 15,079,689</u>

Pecan Valley Centers for Behavioral & Developmental HealthCare

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

Net change in fund balances - governmental fund	\$ 3,013,270
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Amounts reported for governmental activities in the statement of activities (Exhibit A-2)
are different because:

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

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund (Exhibit B-5)

Year Ended August 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Local Revenues				
County tax funds	\$ 171,416	\$ 171,416	\$ 222,518	\$ 51,102
Patient fees and insurance	492,966	492,966	590,689	97,723
Home and Community Based Services	1,477,919	1,477,919	1,399,267	(78,652)
Texas Home Living Waiver	185,068	185,068	163,500	(21,568)
Intermediate Care Facilities (ICF)	1,629,303	1,629,303	1,724,439	95,136
Managed care	1,006,275	1,006,275	1,303,088	296,813
Medicaid and Medicare	1,806,681	1,806,681	2,052,406	245,725
Medicaid 1115 Waiver	4,788,100	4,788,100	5,021,891	233,791
Contributions and miscellaneous income	1,422,380	1,422,380	2,169,243	746,863
Total local revenues	12,980,108	12,980,108	14,647,041	1,666,933
State Program Revenues				
General Revenue	6,393,300	6,393,300	6,538,456	145,156
Children's Mental Health	430,324	430,324	489,341	59,017
MH First Aid	-	-	53,200	53,200
Permanency Planning	20,754	20,754	19,784	(970)
Psychiatric Emergency Service Center (PESC)	481,800	481,800	364,543	(117,257)
Private Psychiatric Beds (PPB)	839,135	839,135	1,111,652	272,517
House Bill 13	330,469	330,469	432,475	102,006
Texas Rehabilitation Commission	13,300	13,300	12,258	(1,042)
TCOOMMI	153,557	153,557	110,025	(43,532)
Texas Juvenile Justice Department	-	-	86,667	86,667
Total state program revenues	8,662,639	8,662,639	9,218,401	555,762
Federal Program Revenues				
Mental Health Block Grant	386,341	386,341	386,341	-
Temporary Assistance for Needy Families	125,850	125,850	125,850	-
Social Services Block Grant-Title XX	74,249	74,249	74,213	(36)
MH First Aid	-	-	63,136	63,136
MH Coordinated Specialty Care- FEP	270,000	270,000	117,827	(152,173)
Assisted Outpatient Treatment Program	-	-	7,688	7,688
Amplify Care through CCBHC	-	-	106,559	106,559
CARES Act Provider Relief Funds	-	-	111,833	111,833
Disaster Crisis Counseling Services	-	-	123,864	123,864
MFP Enhanced Community Coordination	19,734	19,734	40,771	21,037
Medical Assistance Program (MAC)	701,879	701,879	591,238	(110,641)
Total federal program revenues	1,578,053	1,578,053	1,749,320	171,267
Investment Earnings	249,457	249,457	124,742	(124,715)
Total revenues	23,470,257	23,470,257	25,739,504	2,269,247

Pecan Valley Centers for Behavioral & Developmental HealthCare
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund
(Exhibit B-5)
Year Ended August 31, 2020

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

Pecan Valley Centers for Behavioral & Developmental HealthCare
Statement of Fiduciary Net Position – Fiduciary Fund (Exhibit C-1)
August 31, 2020

	Client Agency Fund
Assets	
Cash and cash equivalents	<u>\$ 86,411</u>
Total assets	<u><u>\$ 86,411</u></u>
Liabilities	
Due to consumers	<u>\$ 86,411</u>
Total liabilities	<u><u>\$ 86,411</u></u>

Note 1 - Reporting Entity

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

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

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

Note 2 - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support to external users. The Center does not have any business-type activities.

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

Administrative expenses are allocated among the Center's programs, based on each program's proportionate share of total expenses.

Fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund (General Fund) is reported as a separate column in the fund financial statements.

Note 3 - 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 fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges for services are recognized in the year the services are provided while grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 government considers revenue to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to long-term compensated absences, are recorded only when payment is due.

Grant revenues are recognized only as grant expenditures are incurred to the extent that the expenditures are allowable and eligible for reimbursement. Grant revenue, patient fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue at the net realizable amounts. All other revenue items are considered to be measurable and available only when cash is received by the Center.

The Center allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include overall management, accounting, financial reporting, payroll, procurement contracting and oversight cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocation methodologies.

The Center reports the following major governmental fund:

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

Additionally, the Center reports the following fund type:

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

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

Note 4 - Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

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

Net Patient and Client Service Revenue

The Center has agreements with third-party payors that provide for payments to the Center at contractually agreed upon rates. Net patient and client service revenue is reported at the estimated net realizable amounts from patients, clients, third-party payors and others for services rendered. The Center also entered into payment agreements with Medicare, certain commercial insurance carriers (managed care organizations) and other organizations. The basis for payment under these agreements is mostly based on fee for service arrangements.

Pecan Valley Centers for Behavioral & Developmental HealthCare

Notes to Financial Statements

August 31, 2020

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.

Grants

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

Other Revenues

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

Prepaid Expenses

Prepaid expenses record payments to vendors that benefit future reporting periods and are reported on the consumption basis. Prepaid expenses are similarly reported in government-wide and fund financial statements. Prepaid expenses are reflected as non-spendable fund balance in the governmental fund balance sheet because these assets do not constitute available spendable resources even though they are components of net current assets.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Center and PVF as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

	<u>Primary Government (the Center)</u>	<u>Component Unit (PVF)</u>
Building and improvements	10 – 31.5 years	10 – 40 years
Furniture and equipment	5 - 8 years	7 - 25 years
Vehicles	5 years	not applicable

Compensated Absences

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

Long-Term Obligations

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

Fund Balance

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

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

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

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

Source of Funds

Some funds from federal and other state sources represent fee for service reimbursements, as well as project grants. The funds that are specifically for individual patient service reimbursements are reported as local funds.

Tax-Exempt Status

The Internal Revenue Service has issued a determination letter dated August 4, 2011, stating that the Center qualifies as an organization described in Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from Federal income taxes.

Use of Estimates

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

Note 5 - Stewardship, Compliance, and Accountability

The Center's annual budget for the General Fund is prepared based on estimated expenditures provided on a unit basis summarized by program category. The budget is submitted to the Executive Director and the Board of Trustees. The budget must have the Board of Trustees' approval and that of the Texas Health and Human Services Commission (THHSC).

Contract/budget negotiations are scheduled by THHSC at which time contract performance measures and funding amounts are negotiated. The contract and/or budget is revised to incorporate any modifications agreed upon and resubmitted to THHSC. The final budget is approved by THHSC.

The budget for the General Fund is prepared using the current financial resources measurement focus and the modified accrual basis of accounting which is consistent with generally accepted accounting principles for a governmental fund.

Note 6 - Deposits and Investments**Cash and Time Deposits**

Custodial credit risk – deposits. The Center's and PVF's cash deposits were fully secured at August 31, 2020 by federal deposit insurance and by pledged securities held by the Center's agent in the Center's name. The Center's policy requires deposits to be fully secured by collateral valued at market of at least 102% of the Center's deposits, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments

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

Type of Investments	Amortized Cost	Percentage of Total	Credit Rating	Maturities Less Than One Year
TexPool	<u>\$ 11,122,857</u>	100.00%	AAAm	<u>\$ 11,122,857</u>

Pecan Valley Centers for Behavioral & Developmental HealthCare

Notes to Financial Statements

August 31, 2020

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

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

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

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

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

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

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

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

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Center has no recurring fair value measurements as of August 31, 2020 as the Center's investments are not measured at fair value but rather are measured at amortized cost.

Note 7 - Accounts Receivable

Accounts receivable and receivables from other governments are for reimbursement of expenditures and fees for service provided under various programs and grants. All amounts are expected to be collected within the next year. A summary of these receivables in the governmental activities as of August 31, 2020 is as follows:

	Governmental Activities
Medicaid and Medicare	\$ 129,035
HCS and TX-HML Waiver	160,164
Managed Care/Insurance Provider	278,703
Medicaid Administrative Claiming	442,113
Intermediate Care Facilities (ICF)	209,176
Texas Health and Human Services	234,959
TCOOMMI	20,167
Other	309,199
Less: Allowance	(100,000)
	<hr/>
Accounts receivable, net	<u><u>\$ 1,683,516</u></u>

Pecan Valley Centers for Behavioral & Developmental HealthCare

Notes to Financial Statements

August 31, 2020

Note 8 - Capital Assets

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

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

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

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

Pecan Valley Centers for Behavioral & Developmental HealthCare

Notes to Financial Statements

August 31, 2020

A summary of changes in capital asset balances for the year ended August 31, 2020 in the component unit PVF is as follows:

Component Unit PVF	Balance September 1, 2019	Additions	Retirements	Balance August 31, 2020
Nondepreciable assets				
Land	\$ 243,834	\$ -	\$ -	\$ 243,834
Total nondepreciable assets	243,834	-	-	243,834
Depreciable assets				
Buildings and improvements	4,468,668	3,300	-	4,471,968
Furniture and equipment	90,245	-	-	90,245
Total depreciable assets	4,558,913	3,300	-	4,562,213
Less accumulated depreciation				
Buildings and improvements	1,472,266	101,716	-	1,573,982
Furniture and equipment	66,417	4,979	-	71,396
Total accumulated depreciation	1,538,683	106,695	-	1,645,378
Total capital assets, net	<u>\$ 3,264,064</u>	<u>\$ (103,395)</u>	<u>\$ -</u>	<u>\$ 3,160,669</u>

The component unit PVF depreciation expense for the year ended August 31, 2020 was \$106,695.

Pecan Valley Centers for Behavioral & Developmental HealthCare

Notes to Financial Statements

August 31, 2020

Note 9 - Long-Term Liabilities

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

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

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

2021	\$ 506,583
2022	<u>393,417</u>
Total	<u>\$ 900,000</u>

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

Note 10 - Lease Obligations

The Center leases buildings and facilities currently utilized in its operations under short-term operating leases. The Center also leases various copy machines and equipment on a month-to-month basis. Total rent expenditures of these leases, including month-to-month rentals, and in-kind rent of \$2,005,116, was \$2,241,646 for the year ended August 31, 2020. The future minimum lease payments under operating leases as of August 31, 2020, are as follows:

<u>Year Ended August 31</u>	<u>Future Minimum Lease Payments</u>
2021	\$ 234,833

Rental payments included above involve payments to Pecan Valley Facilities, Inc. Total facility operating lease payments to Pecan Valley Facilities, Inc. were \$208,233 during the fiscal year.

PVF leases substantially all of its property to the primary government through non-cancelable operating leases. Assets under operating lease are recorded as land with a total cost of \$243,834 and building and improvements with a total cost of \$4,471,969 and accumulated depreciation of \$1,645,378 at August 31, 2020. Rental income for the year ended August 31, 2020 was \$208,233.

The following is the schedule of PVF future minimum lease receipts on non-cancelable operating leases as of August 31, 2020:

<u>Year Ended August 31</u>	<u>Future Lease Receipts</u>
2021	\$ 203,273

Note 11 - Retirement Plan

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

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

Note 12 - Deferred Compensation Plan

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

Note 13 - Economic Dependence

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

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

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

Note 14 - Risk Management

The Center is exposed to various risks of loss related to general liability, torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, doctors' malpractice and natural disasters. The Center's workers compensation, property, liability and automobile physical damage losses are covered under a partially self-funded insurance pool managed by the Texas Council Risk Management Fund (TCRMF). Under these policies, the Center could be assessed for additional premiums if losses exceed specified amounts. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding the maximum amounts to be paid by the pool in any of the past three fiscal years.

Beginning in 2017, the Center maintains a partially self-funded medical benefits program. This plan provides health insurance benefits and certain dental insurance benefits to full-time employees of the Center and their dependents. Both the Center and the Plan's eligible employees share in the cost of plan premiums. The Center purchases commercial stop-loss insurance coverage for medical claims in excess of \$45,000 per employee, per plan year. This coverage also has no maximum annual aggregate stop-loss amount per plan year. The Center has contracted with Blue Cross Blue Shield of Texas to provide claims administration and professional advice regarding the adequacy of premium charges and the adequacy of reserves to fund claims liabilities. The Center accounts for this risk management activity in the general fund and accordingly reflects a claims liability in the general fund at year-end. This claims liability reported in the general fund is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The Center does not discount its claims liabilities.

Following is a reconciliation of claims liabilities for the past two fiscal years:

	2020	2019
Unpaid claims, beginning of year	\$ 23,336	\$ 30,256
Incurred claims (including IBNR)	1,136,114	998,914
Claim payments	<u>(1,142,585)</u>	<u>(1,005,834)</u>
Unpaid claims, end of year	<u>\$ 16,865</u>	<u>\$ 23,336</u>

Note 15 - Commitments and Contingencies

The Center has participated in a number of federal and state assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives and regulatory authorities. The purpose of these 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 a result of these audits is not believed to be material to the financial position of the Center. The Center is subject to certain penalties in the event that performance targets are not met.

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

Note 16 - Patient Assistance Program

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

Note 17 - Medicaid 1115 Waiver

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

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

Note 18 - Coronavirus Pandemic

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



Statistical Section
August 31, 2020

Pecan Valley Centers for Behavioral & Developmental HealthCare

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

Pecan Valley Centers for Behavioral & Developmental HealthCare

Schedule of Revenue and Expenditures by Source of Funds

Year Ended August 31, 2020

Total Mental Health Crisis Expenditures	Total Intellectual & Developmental Disabilities Expenditures	Total Other Services Expenditures	Total Center Expenditures	Excess Revenue over Expenditures
\$ 788,142	\$ 3,374,468	\$ 223,149	\$ 10,026,299	
209,662	912,521	45,847	2,679,193	
-	50,731	-	50,731	
			4,404,288	
3,621,104	1,762,292	36,696	7,981,932	
546,686	721,986	36,182	2,398,865	
113,196	149,494	-	489,214	
<u>\$ 5,278,790</u>	<u>\$ 6,971,492</u>	<u>\$ 341,874</u>	<u>\$ 28,030,522</u>	
\$ 2,854,088	\$ -	\$ -	\$ 7,617,403	\$ -
-	827,477	-	827,477	-
-	-	-	492,796	-
-	-	-	449,797	-
-	-	-	125,850	-
-	-	-	74,213	-
1,428,277	5,023,208	126,916	11,547,907	(32,468)
-	56,725		665,704	-
996,425	1,064,082	214,958	6,229,375	3,045,738
<u>\$ 5,278,790</u>	<u>\$ 6,971,492</u>	<u>\$ 341,874</u>	<u>\$ 28,030,522</u>	<u>\$ 3,013,270</u>

Pecan Valley Centers for Behavioral & Developmental HealthCare

Reconciliation of Total Revenues to Fourth Quarter Financial Report

Year Ended August 31, 2020

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

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

Function	Expenditures			Audited Financial Statements
	Care Report III	Additions	Deletions	
Personnel	\$ 11,504,431	\$ -	\$ -	\$ 11,504,431
Fringe benefits	3,112,429	-	-	3,112,429
Capital outlay	87,020	-	-	87,020
Pharmaceutical expense	473,519	-	-	473,519
Pharmaceutical expense (PAP only)	4,404,288	-	(4,404,288) (a)	-
Other operating expense	8,448,835	-	-	8,448,835
Total expenditures	<u>\$ 28,030,522</u>	<u>\$ -</u>	<u>\$ (4,404,288)</u>	<u>\$ 23,626,234</u>

(a) Free medicine used, not recorded for financial statement purposes

Pecan Valley Centers for Behavioral & Developmental HealthCare

Schedule of Indirect Costs
Year Ended August 31, 2020

	<u>Total Costs</u>	<u>Non - allowable Costs</u>	<u>Depreciation</u>	<u>Total Adjusted Costs</u>	<u>Direct Costs</u>	<u>Indirect Costs</u>
Personnel	\$ 11,504,431	\$ -	\$ -	\$ 11,504,431	\$ 10,026,299	\$ 1,478,132
Fringe benefits	3,112,429	-	-	3,112,429	2,688,682	423,747
Capital outlay	87,020	(87,020)	-	-	-	-
Depreciation	-	-	164,974	164,974	88,691	76,283
Other operating expenses	<u>8,922,354</u>	<u>(61,039)</u>	<u>-</u>	<u>8,861,315</u>	<u>7,983,558</u>	<u>877,757</u>
Total expenses	<u>\$ 23,626,234</u>	<u>\$ (148,059)</u>	<u>\$ 164,974</u>	<u>\$ 23,643,149</u>	<u>\$ 20,787,230</u>	<u>\$ 2,855,919</u>
Indirect costs						<u>2,855,919</u>
Direct costs						<u>20,787,230</u>
Indirect cost rate						13.74%

Pecan Valley Centers for Behavioral & Developmental HealthCare

Schedule of Leases in Effect
Year Ended August 31, 2020

Lessor	Location	Termination	Terms
Pecan Valley Facilities, Inc.	906 Lingleville Hwy Stephenville, TX 102 Pirate Dr Granbury, TX 104 Pirate Dr 650 Green St Stephenville, TX 532 Green St Stephenville, TX 240-244 Erath St Stephenville, TX 1715 Santa Fe Dr Weatherford, TX 1719 Santa Fe Dr Weatherford, TX 100 North Travis Mineral Wells, TX	05/31/20 Month to Month After	\$ 16,939 per month
Johnson County	Clinic 1601 N. Anglin Cleburne, TX	6/1/2026	\$ 1 per year
Johnson County	Annex 108 E. Kilpatrick Cleburne, TX	6/1/2026	\$ 1 per year
ICF Residential	1018 Highland Road Cleburne, TX	6/1/2026	\$ 1 per year
ICF Residential	2901 FM 2280 Cleburne, TX	6/1/2026	\$ 1 per year
ICF Residential	805 Quail Park Rush Road Cleburne, TX	6/1/2026	\$ 1 per year
ICF Residential	908 Brown Crest Burleson, TX	6/1/2026	\$ 1 per year
ICF Residential	271 Diamond Lane Burleson, TX	6/1/2026	\$ 1 per year
ICF Residential	105 Littlebrook Road Joshua, TX	6/1/2026	\$ 1 per year
JRS Provisions-LTD	Santa Fe Street Annex Weatherford, TX	9/1/2020	\$ 2,630 per month

Pecan Valley Centers for Behavioral & Developmental HealthCare

Schedule of Insurance in Force

Year Ended August 31, 2020

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

Pecan Valley Centers for Behavioral & Developmental HealthCare

Schedule of Bond Coverage

Year Ended August 31, 2020

Name	Title	Surety Company	Bond Amount
The following individuals have expanded coverage as Notaries Public:			
Linda Hensley	Executive Secretary	State Farm	\$ 50,000
Shanda Dudley	IDD Service Coordinator	State Farm	\$ 10,000

Pecan Valley Centers for Behavioral & Developmental HealthCare
Schedules of Professional and Consulting Fees
Year Ended August 31, 2020

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

Pecan Valley Centers for Behavioral & Developmental HealthCare

Schedule of Legal Services
Year Ended August 31, 2020

Name	City	Type of Service	Amount
No legal fees for FY20	N/A	N/A	\$ -



Single Audit Section
August 31, 2020

Pecan Valley Centers for Behavioral & Developmental HealthCare



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

The Board of Trustees
Pecan Valley Centers for Behavioral & Developmental HealthCare
Granbury, 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 discretely presented component unit, the major fund, and the aggregate remaining fund information of Pecan Valley Centers for Behavioral & Developmental HealthCare (the Center) as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated November 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Abilene, Texas
November 19, 2020



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

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

Report on Compliance for Each Major Federal and State Program

We have audited Pecan Valley Centers for Behavioral & Developmental HealthCare'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, 2020. The Center's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

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

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

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



Abilene, Texas
November 19, 2020

Pecan Valley Centers for Behavioral & Developmental HealthCare

Schedule of Expenditures of State and Federal Awards

Year Ended August 31, 2020

	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
State Awards			
Texas Health and Human Services Commission			
Local Mental Health Authority (LMHA)			
General Revenue - Mental Health Adult and Crisis		HHS000537200002	\$ 5,521,228
General Revenue - Mental Health Child		HHS000537200002	489,341
Psychiatric Emergency Service Center (PESC)		HHS000537200002	364,543
Private Psychiatric Beds (PPB)		HHS000537200002	1,111,652
Post-Discharge Medications for Civil Commitments (PDMCC)		HHS000537200002	3,131
Supportive Housing Rental Assistance Project		HHS000537200002	63,456
Veterans Service Program		HHS000537200002	70,000
MH First Aid		HHS000186300001	53,200
Inpatient Detox - HB 13		HHS000149700026	432,475
Total LMHA			<u>8,109,026</u>
Local IDD Authority (LIDDA)			
General Revenue - Intellectual & Developmental Disabilities		HHS000585300001	630,283
Services to Individuals with IDD in Nursing Facilities		HHS000585300001	72,978
IDD Crisis Intervention Specialists		HHS000585300001	133,510
IDD Crisis Respite Services		HHS000585300001	43,870
Permanency Planning		HHS000585300001	19,784
Total LIDDA			<u>900,425</u>
Total Texas Health and Human Services Commission			<u>9,009,451</u>
Texas Juvenile Justice Department			
Passed through Parker County Juvenile Probation Department			
Grant R- Discretionary State Aid Grant- Community Projects		n/a	<u>86,667</u>
Total State Awards			<u>9,096,118</u>

Pecan Valley Centers for Behavioral & Developmental HealthCare
Schedule of Expenditures of State and Federal Awards
Year Ended August 31, 2020

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

Pecan Valley Centers for Behavioral & Developmental HealthCare

Notes to Schedule of Expenditures of State and Federal Awards

Year Ended August 31, 2020

Note 1 - General

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

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

Note 2 - Basis of Accounting

The Schedule of Expenditures of State and Federal Awards is prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 3 of the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or State of Texas Uniform Grant Management Standards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. State and federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

Note 3 - Relationship to Basic Financial Statements

Certain state and federal programs have been excluded from the Schedule of Expenditures of State and Federal Awards, including monies received under vendor contract for Title XIX ICF/MR, Title XIX HCS/MR, and other Medicaid/Medicare funding earned from providing patient services. The state and federal monies excluded from the Schedule of Expenditures of State and Federal Awards are not considered financial assistance as defined in the Uniform Guidance and are included in total local revenues in the basic financial statements.

Texas Rehabilitation Commission and Texas Correctional Office on Offenders with Medical or Mental Impairments (TCOOMMI) have been excluded from the Schedule of Expenditures of State and Federal Awards as these monies are considered contracts, not state awards.

State awards per Schedule of Expenditures of State and Federal Awards	\$ 9,096,118
Plus: Texas Rehabilitation Commission - contract, not considered grant	12,258
Plus: TCOOMMI - contract, not considered grant	110,025
Total state revenues on Exhibit B-5	<u>\$ 9,218,401</u>

Note 4 - State Award Guidelines

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

Note 5 - Indirect Costs

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

Note 6 - Subrecipients

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

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

Section A. Summary of Auditor's Results

Financial Statements

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

State and Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	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 Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	CFDA Number
Medical Assistance Program (Medicaid Administrative Claiming)	93.778
Mental Health Block Grant (including FEP, MHFA)	93.958
Dollar threshold used to distinguish between type A and type B programs for federal awards:	\$ 750,000
Name of State Program	
General Revenue - Behavioral Health (Mental Health Adult and Crisis, Mental Health Child, PESC, PPB)	N/A
General Revenue - Intellectual and Developmental Disabilities	N/A
House Bill 13 (Inpatient Detox)	N/A
Dollar threshold used to distinguish between type A and type B programs for state awards:	\$ 300,000
Auditee qualified as low-risk auditee?	No

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

The audit disclosed no findings required to be reported.

C. Findings and Questioned Costs for Federal and State Awards

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

Attachment B-Pecan Valley Centers Officials

FY 2021

Board of Trustees

Elizabeth Lawrence
Ed Seilheimer
Carolyn Myres

Board Chair – Parker County
Board Vice Chair – Hood County
Secretary – Johnson County

Dr. Reginald Hall
Judge Alfonso Campos
Christy Massey
Keith Scarbrough
Lynn Waddy
Rita Wade
Jerry Blaisdell
Vacant

Erath County
Erath County
Hood County
Johnson County
Palo Pinto County
Palo Pinto County
Parker County
Somervell County

Ex Officio Board Members

Sheriff Roger Deeds
Sheriff Alan West

Hood County
Somervell County

Executive Staff

Coke Beatty
Ruben DeHoyos
Wayne Vaughn

Executive Director
Associate Executive Director / Chief of Operating Officer
Chief Financial Officer

Attachment C-Audit Proposal Evaluation Matrix



Step 1: Grade the various criteria outlined in the proposal. Assign points based on the range recommended.

Proposal Criteria		Points	CPA Firm A	CPA Firm B	CPA Firm C	Comments
Approach to Audit Quality		25 points max				
	The proposal outlines an audit approach that is tailored based on obtaining an understanding of the organization's activities, operating systems, personnel and special needs.	0-5				
	The proposal indicates an audit approach that is tailored based on the firm's advanced understanding of your organization's industry.	0-5				
	The proposal outlines the firm's processes for ensuring an efficient and effective audit process.	0-5				
	The proposal showcases the firm's commitment to providing quality audit services by voluntarily adhering to higher standards of audit quality. This is evidenced by sharing their current unqualified peer review report resulting from the American Institute of CPAs external peer review process.	0-5				
	The proposal indicates the firm is a dedicated member of one or more of the following firm-based voluntary membership quality centers for firms that perform audits: <ul style="list-style-type: none"> • AICPA Center for Audit Quality • AICPA Private Companies Practice Center (PCPS) • AICPA Governmental Audit Quality Center • AICPS Employee Benefit Plan Audit Quality Center • AICPA PCPS Center for Plain English Accounting 	0-5				
Team Knowledge and Experience		30 points max				
	The proposal highlights the firms commitment to professional training and staff continuity.	0-5				
	The proposal outlines qualifications, industry experience, licenses and strengths for all partners.	0-5				
	The proposal specifies the strengths of assigned team members as well as their years of prior experience in the particular industry and type of engagement.	0-5				
	The proposal identifies how the firm will comply with applicable industry reporting regulations, if applicable	0-5				

Proposal Criteria		Points	CPA Firm A	CPA Firm B	CPA Firm C	Comments
	The proposal provides the firm's background, client base, licensing information and years in business.	0-5				
	If the firm does not have relevant experience in your particular industry, the proposal specifies that the firm has identified a firm with the applicable expertise/specialty to affiliate with to assist with this engagement and provides the affiliate firm's qualifications, background and experience.	0-5				
Unique Qualifications		10 points max				
	The proposal conveys a positive and confident feeling derived from the firm's business beliefs, communication practices and unique qualifications of which lays the foundation for a trusted relationship.	0-10				
Value Added Services		10 points max				
	The proposal provides a listing of additional value added services the firm provides beyond the audit engagement. (e.g. proactively monitor and communicate topics relevant to your financial and business operations all year long that may impact your future success)	0-5				
	It is evident that the firm understands our business and our challenges. The firm is committed to being our business advisor, beyond the audit engagement	0-5				
Scope and Pricing of the Engagement		25 points max				
	The proposal clearly provides a framework for the scope, timing, steps and resources to complete the engagement.	0-5				
	The proposal specifies the maximum price for the engagement and how it will be billed.	0-5				
	The proposal specifies the impact of a multi-year engagement on pricing.	0-5				
	The proposal addresses all items requested by us whether verbally or in the RFP	0-5				
	The proposed fee is reasonable based on the experience, unique value and knowledge the firm brings to the engagement.	0-5				
Total Points		100	0	0	0	

Step 2: Based on the above grading, document your decision to award the engagement to the proposal with the highest points.