

DENTON COUNTY MHMR CENTER
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2023

Scott, Singleton, Fincher & Company, PC
Certified Public Accountants

**Denton County MHMR Center
Annual Financial and Compliance Report
For The Year Ended August 31, 2023**

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INTRODUCTORY SECTION

**CERTIFICATE OF BOARD
ACCEPTANCE OF AUDIT REPORT**

Denton County MHMR Center

I, Dianne Hickey, Chairperson of the Board of Trustees of Denton County MHMR Center, do hereby certify that this accompanying audit report for FY 2023 from Scott, Singleton, Fincher & Company, P.C. was reviewed and accepted at a meeting of the Board of Trustees held on the 23rd day of January, 2024.

Dianne Hickey

Chairperson, Board of Trustees

**Denton County MHMR Center
List of Principal Officials
August 31, 2023**

Board of Trustees

Dianne Hickey	Board Chair
Arthur (Kelly) Sayre	Board Vice-Chair
Judi Swayne	Board Secretary
Patti Dunn	Member
Linda Holloway, Ph.D.	Member
Cynthia Jones	Member
Doug Lee	Member
Ron Marchant	Member
Jack Phillips	Member
Melanie Royer	Member

Administrative Staff

Pam Gutierrez	Executive Director
Dr. Meena Vyas	Chief Medical Officer
Michelle Conrad	Chief Financial Officer
Diana Cantu	Chief Human Resources Officer
Vacant	Chief Operating Officer
Veronica Armendariz	Senior Director of QM/UM
Annie Poore, RN	Senior Director of Nursing
Jennifer Meyer	Senior Director of Clinical Services
Dallas Hamilton	Senior Director of Crisis Services
Wesley Warren	Senior Director of IDD Services
Kaitlyn Kepple	Senior Director of Community Integration Services
Vacant	Senior Director of Behavioral Health Services
Ritch Wright	Chief Technical Officer
Max Meyer	Grant Development Specialist

FINANCIAL SECTION

SCOTT, SINGLETON, FINCHER AND COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

4815-A KING STREET
TELEPHONE 903-455-4765
FAX 903-455-5312
GREENVILLE, TEXAS 75401

Member of:
Governmental Audit Quality Center

Members of:
American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
Denton County MHMR Center

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denton County MHMR Center ("Center"), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Denton County MHMR Center, as of August 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Denton County MHMR Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11-16 and 42-43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denton County MHMR Center's basic financial statements. The schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Texas Grant Management Standards (TxGMS), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2024, on our consideration of Denton County MHMR Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Denton County MHMR 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 Denton County MHMR Center's internal control over financial reporting and compliance.

Scott, Singleton, Fincher and Company, PC

Greenville, Texas
January 23, 2024

REQUIRED SUPPLEMENTARY INFORMATION

DENTON COUNTY MHMR CENTER

Management's Discussion and Analysis

Management's Discussion and Analysis of Denton County MHMR Center (DCMHMR) analyzes the major financial activities of DCMHMR for the year ended August 31, 2023. This discussion should be read in conjunction with the financial statements and related notes.

Financial Highlights

- Government-wide net position increased by \$2,960,637 during FY2023. Ending net position was \$25,129,925.
- Fund Balance in the General Fund increased \$525,692 from \$19,485,708 at August 31, 2022 to \$20,011,400 at August 31, 2023. This increase is net of a \$2,500,000 transfer to the Internal Service Fund for capital asset replacement.
- The unassigned portion of the fund balance increased \$452,009 from \$18,798,500 at August 31, 2022 to \$19,250,509 at August 31, 2023.
- DCMHMR's savings from the Patient Assistance Program (PAP) from pharmaceutical companies in FY 2023 was \$4,729,110 in free medications, which allows state allocated funds to go toward additional direct care services.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to DCMHMR's basic financial statements. DCMHMR'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 DCMHMR's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of DCMHMR'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 DCMHMR is improving or deteriorating.

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

Government-wide financial statements differ from fund accounting statements in that government-wide financial statements are more traditional as noted below:

- Capital assets are capitalized and depreciated rather than expensed when purchased.
- Debt principal payments are treated as a reduction of the related liability rather than as expenditures.
- Receipts from funding long-term debt are treated as additional liabilities rather than as revenues.

Both of the government-wide financial statements distinguish functions of DCMHMR that are supported principally by funds provided from federal, state, and local funding sources. The governmental activities

of DCMHMR include Mental Health-Adult, Mental Health-Children, Intellectual & Developmental Disabilities (IDD) and Administration. DCMHMR does not have any business-type activities.

The government-wide financial statements can be found on pages 18 and 19 of this report. Following is comparative information for the government-wide financial statements:

	Governmental Activities	
	2023	2022
Current and other assets	\$ 25,554,482	\$ 22,786,718
Capital assets	4,926,904	5,164,995
Total assets	30,481,386	27,951,713
Current liabilities	2,581,724	2,770,755
Long-term liabilities	2,769,737	3,011,670
Total liabilities	5,351,461	5,782,425
Net Position:		
Net investment in capital assets	2,983,332	2,976,384
Unrestricted	22,146,593	19,192,904
Total net position	\$ 25,129,925	\$ 22,169,288

	Governmental Activities	
	2023	2022
Revenues		
Program revenues:		
Charges for services:		
Mental health adult	\$ 5,056,481	\$ 6,088,703
Intellectual and Developmental Disabilities	5,276,217	5,560,720
Mental health children	2,240,231	877,953
Operating grants and contributions:		
Mental health adult	22,187,582	20,478,174
Intellectual and Developmental Disabilities	2,395,766	2,294,130
Mental health children	1,359,364	991,815
Total program revenues	38,515,641	36,291,495
General revenues:		
Unrestricted investment earnings	197,188	59,622
Local income	2,764,170	2,665,531
Total general revenues	2,961,358	2,725,153
Total revenues	41,476,999	39,016,648
Expenses		
Mental health adult	27,038,629	24,625,799
Intellectual and Developmental Disabilities	9,929,128	9,524,221
Mental health children	1,489,825	1,436,816
Interest on long-term debt	58,780	57,743
Total expenses	38,516,362	35,644,579
Change in Net Position	2,960,637	3,372,069
Net Position - Beginning	22,169,288	18,797,219
Net Position - Ending	\$ 25,129,925	\$ 22,169,288

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. DCMHMR, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how cash resources flow into and out of those funds and the balances remaining at the year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* basis of accounting, that requires the recognition of revenue when earned, only so long as the funds are collected within the period or soon enough afterwards to be used to pay liabilities of the current period.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. This will present readers with a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities* on pages 20 and 22, respectively.

DCMHMR adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund on pages 42 and 43 to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held by DCMHMR for the benefit of consumers. Fiduciary funds are not reflected in the government-wide financial statements because those funds belong to the consumers and are not available to support DCMHMR's operations. The fiduciary funds statements are on pages 26 through 27.

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 beginning on page 28 of this report.

Statistical section. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning DCMHMR that is required by the Texas Health and Human Services Commission, the Uniform Guidance and Texas Grant Management Standards. This supplementary information can be found beginning on page 45 of this report.

Financial Analysis of DCMHMR's Funds

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

Governmental funds. The focus of DCMHMR's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing DCMHMR's financing requirements.

General fund. The General Fund is the principal operating fund of DCMHMR. The General Fund components are assets, liabilities, and fund balance. Fund balance consists of two classifications: nonspendable and unassigned. Nonspendable fund balance represents prepaid, deposits and advances for intergovernmental transfers.

General Fund Budgetary Highlights

- The General Fund Balance increased \$525,692 during the year.
- Although not reflected in the budget, DCMHMR benefited from \$4,729,110 in free “PAP” medications and sample medications from pharmaceutical companies.
- The Center’s total revenue increased during FY 2023 as the Center recognized revenue for two SAMHSA grants. In previous years, the Center could only recognize partial SAMHSA revenue due to award date. The full year revenue recognition coupled with the 1115 extension programs allowed the Center to operate with a significant excess.
- The Center continued to benefit from an enhanced FMAP due to the emergency declaration issued during FY 2020 and that continued into FY 2023. The enhanced FMAP allowed the Center to recognize additional federal funds related to the Direct Payment Program – Behavioral Health Services by decreasing the amount of non-federal share of intergovernmental funds needed. With the end of the federal public health emergency on May 11, 2023, the Centers for Medicare and Medicaid Services (CMS) slowly started phasing the enhancement to FMAP out on April 1, 2023. This reduction will continue until December 31, 2023.
- The Center continues to have departmentally based hybrid work models for staff recruitment and retention. Personnel costs for the Center increased overall by 13% in year FY2023 compared to FY2022. This was due to the labor market and wage demands in conjunction with the annual rate of consumer-level inflation. The labor market forced the Center to provide an increase of roughly 5%-20% to pay rates in many positions for recruitment and retention of qualified applicants. The Center needed to increase wages to compete against other employers in our geographic location and our industry. Following is summary of comparative activity in the General Fund for the past two years:

	General Fund	
	2023	2022
Revenues:		
Local and earned revenues	\$ 14,457,577	\$ 14,330,958
State programs	17,912,834	17,427,335
Federal programs	8,847,839	7,085,605
Investment Income	195,341	58,721
Total revenues	41,413,591	38,902,619
Expenditures:		
Mental health adult	24,126,334	22,116,263
Intellectual and Developmental Disabilities	8,738,213	8,395,418
Mental health children	1,327,656	1,299,506
Administration	3,429,048	3,067,215
Debt service	615,063	585,129
Capital outlay	468,429	572,089
Total expenditures	38,704,743	36,035,620
Excess (deficiency) of revenues over (under) expenditures	2,708,848	2,866,999
Other Financing Sources (Uses):		
Transfers out	(2,500,000)	
Issuance of lease obligations	311,244	
Proceeds from disposal of capital assets	5,600	40,956
Total other financing sources (uses)	(2,183,156)	40,956
Net Change in Fund Balance	\$ 525,692	\$ 2,907,955

Capital Assets and Debt Administration

DCMHMR's investment in capital assets at August 31, 2023 and August 31, 2022, net of accumulated depreciation and amortization was \$4,926,904 and \$5,164,995, respectively. Capital assets include land, buildings and improvements, furniture and equipment, vehicles, computer equipment, and intangible right-of-use lease and SBITA assets.

DCMHMR occupies over 70,000 square feet of office space in Denton County. The Center owns the ~32,000 square foot facility at 2519 Scripture Street.

During 2023, the Center added sixteen vehicles through its internal service at a total cost of \$332,692. The Center also entered into new leases that increased right-of-use leased assets by \$311,243.

Long Term Obligations

The adoption of GASB Statement 87 required the Center to record the present value of future lease expense as a liability in the Statement of Net Position. The only outstanding obligations for the Center are related to the present value of lease payments required by GASB 87 and paid time off that is vested in employees.

At August 31, 2023 and 2022, DCMHMR had long-term debt outstanding as follows:

	<u>2023</u>	<u>2022</u>
Direct borrowing:		
Lease obligations	\$ 1,943,572	\$ 2,188,611
Other:		
Compensated absences	\$ 826,165	\$ 823,059
Total Long-term Obligations	<u>\$ 2,769,737</u>	<u>\$ 3,011,670</u>

Additional information on changes in capital assets and long-term debt can be found in notes 4 and 5 to the financial statements.

Economic Factors and Next Year's Budget

FY2023 was the first full year that the Center returned to pre-pandemic capacity since the public health emergency was declared nationwide in March 2020. The Center continued to provide most of its services face-to-face but the new delivery methods such as behavioral health services via synchronous audiovisual or telephonic technology allowed the Center to provide clinically appropriate services for individuals we serve while maintaining the cost savings of providing some services remotely. The Center's revenue has remained consistent in most programs throughout the fiscal year, but the Center is closely monitoring potential impact from the expiration of the Medicaid continuous enrollment condition authorized by the Families First Coronavirus Response Act (FFCRA). The public health emergency ended on May 11, 2023 and the State of Texas began eligibility renewals and terminations for Medicaid on April 1, 2023. The Center closely monitors any potential impact to Medicaid revenue as the State has 12 months from April 2023 to return to normal eligibility requirements. The Center continued to benefit in FY2023 from cost savings on the expense side from a decrease in personnel expenditures due to recruitment and retention during the nationwide labor shortage and a decrease in fleet expenditures from our hybrid work model.

In April 2022, CMS approved a 10-year extension of 1115 Waiver which included two new revenue sources: the Directed Payment Program - Behavioral Health Services (DPP-BHS) and the

Public Health Provider – Charity Care Program (PHP-CCP). In FY2023, the DPP-BHS and the PHP-CCP funding streams generated comparable revenue to the original 1115 Waiver DSRIP program, but the PHP-CCP cost report (which is based on FY2022 data) allowed Centers to claim the shortfall between Medicaid reimbursement rates and the actual cost of providing the service. The reporting mechanism for FY2024 will not allow the Medicaid shortfall and this methodology will be reflected in future years' budgeting.

In August 2023, the Board of Directors approved a \$2,500,000 transfer of unrestricted fund balance from the Center's general fund to its internal service fund for the potential procurement of real property.

DCMHMR intends to monitor its FY 2024 budget very carefully and will revise the budget, as necessary.

Request for Information:

This financial report is designed to provide a general overview of DCMHMR's finances for those interested in DCMHMR's financial status. Questions concerning any of this information should be directed to:

Denton County MHMR Center
Attn: Pam Gutierrez, Executive Director
2519 Scripture
Denton, TX 76201
(940) 565-5210

BASIC FINANCIAL STATEMENTS

Denton County MHMR Center
Statement of Net Position
August 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 21,836,924
Accounts receivable, net	681,145
Due from other governments	2,275,522
Prepaid items	462,437
Advances - Intergovernmental transfer	298,454
Capital assets:	
Nondepreciable land	455,120
Nondepreciable construction in progress	266,904
Capital assets, net	<u>4,204,880</u>
Total Assets	<u>30,481,386</u>
LIABILITIES	
Accounts payable	958,704
Accrued salaries and benefits	875,824
Other accrued expenses	15,014
Unearned revenues	732,182
Long-term liabilities:	
Lease obligations due within one year	549,344
Compensated absences due within one year	165,233
Lease obligations due in more than one year	1,394,228
Compensated absences due in more than one year	<u>660,932</u>
Total Liabilities	<u>5,351,461</u>
NET POSITION	
Net investment in capital assets	2,983,332
Unrestricted	<u>22,146,593</u>
Total Net Position	<u><u>\$ 25,129,925</u></u>

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

**Denton County MHMR Center
Statement of Activities
Year Ended August 31, 2023**

Functions/Programs	Expenses	Administration Allocation	Expenses After Allocation of Administration	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
				Charges For Services	Operating Grants and Contributions	
Governmental activities:						
Mental health - Adult	\$ 24,404,567	\$ 2,634,062	\$ 27,038,629	\$ 5,056,481	\$ 22,187,582	\$ 205,434
Intellectual & developmental disabilities	8,961,848	967,280	9,929,128	5,276,217	2,395,766	(2,257,145)
Mental health - Children	1,344,689	145,136	1,489,825	2,240,231	1,359,364	2,109,770
Administration	3,746,478	(3,746,478)	-			-
Interest on long-term debt	58,780		58,780			(58,780)
Total governmental activities	\$ 38,516,362	\$ -	\$ 38,516,362	\$ 12,572,929	\$ 25,942,712	\$ (721)
General revenues:						
Unrestricted investment earnings						197,188
County and City contributions						1,956,301
Other income and unrestricted contributions						807,869
				Total general revenues		2,961,358
				Change in net position		2,960,637
				Net position-beginning		22,169,288
				Net position-ending		\$ 25,129,925

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

**Denton County MHMR Center
Balance Sheet
Governmental Fund
August 31, 2023**

	General Fund	Total Governmental Fund
Assets		
Cash and cash equivalents	\$ 19,039,436	\$ 19,039,436
Accounts receivable, net	681,145	681,145
Due from other governments	2,275,522	2,275,522
Prepaid items and deposits	462,437	462,437
Advances for intergovernmental transfer	298,454	298,454
Total Assets	\$ 22,756,994	\$ 22,756,994
Liabilities		
Accounts payable	958,704	958,704
Accrued salaries and benefits	875,824	875,824
Other accrued expenses	15,014	15,014
Due to internal service fund	23,640	23,640
Unearned revenues	732,182	732,182
Total Liabilities	2,605,364	2,605,364
Deferred inflows of resources		
Unavailable Medicaid Administrative Claiming revenues	140,230	140,230
Total Deferred inflows of resources	140,230	140,230
Fund Balances		
Nonspendable:		
Prepaid items, deposits, and advances	760,891	760,891
Unassigned	19,250,509	19,250,509
Total Fund Balances	20,011,400	20,011,400
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 22,756,994	\$ 22,756,994

**Amounts presented for governmental activities in the Statement of
Net Position are different because:**

Total Fund Balance (As Presented in this Statement)	\$ 20,011,400
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Capital assets used in governmental activities are not current financial and therefore are not reported in the funds.	4,285,338
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Long-term liabilities related to lease obligations (\$1,943,572) are not recorded in the funds.	(1,943,572)
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An Internal Service Fund is used by management to accumulate funds for capital asset acquisitions. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position.	3,462,694
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Other long-term receivables are not available to pay current period expenditures, and therefore are deferred in the fund statement.	140,230
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Long-term liabilities such as compensated absences (\$826,165) are not due and payable in the current period and therefore are not reported in the funds.	(826,165)
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Net Position - Governmental Activities	\$ 25,129,925
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Denton County MHMR Center
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ended August 31, 2023

	General Fund	Total Governmental Fund
REVENUES		
Local and earned revenues	\$ 14,457,577	\$ 14,457,577
State programs	17,912,834	17,912,834
Federal programs	8,847,839	8,847,839
Investment income	195,341	195,341
Total revenues	41,413,591	41,413,591
EXPENDITURES		
Current:		
Mental Health Adult	24,126,334	24,126,334
Intellectual and developmental disabilities	8,738,213	8,738,213
Mental Health Children	1,327,656	1,327,656
Administration	3,429,048	3,429,048
Capital outlay	468,429	468,429
Debt service:		
Principal	556,283	556,283
Interest	58,780	58,780
Total expenditures	38,704,743	38,704,743
Excess (deficiency) of revenues over (under) expenditures	2,708,848	2,708,848
OTHER FINANCING SOURCES (USES):		
Transfers out	(2,500,000)	(2,500,000)
Issuance of lease obligations	311,244	311,244
Proceeds from disposal of capital assets	5,600	5,600
Total other financing sources (uses)	(2,183,156)	(2,183,156)
Net Change in Fund Balance	525,692	525,692
Fund balance, beginning	19,485,708	19,485,708
Fund balance, ending	\$ 20,011,400	\$ 20,011,400

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

Denton County MHMR Center
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
Year Ended August 31, 2023

Amounts presented for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balance - total governmental fund (see previous page)	\$ 525,692
Governmental funds report capital outlay as expenditures. In the statement of activities, the cost of those assets is allocated and depreciated/amortized over their useful lives. This is the amount that depreciation expense (\$275,679) and amortization expense (556,283) exceeded capital outlay \$468,429 for the year.	(363,533)
Certain long-term receivables are not available to pay current period expenditures and therefore are deferred in the funds. This is the net change in these long-term receivables for the year.	20,633
Repayment of principal on long-term liabilities is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the net increase in the long-term liability for compensated absences (\$3,106) and net decrease in long-term lease obligations \$245,039 for the year.	241,933
An Internal Service Fund is used by management to charge vehicle usage fees to the General Fund for the replacement of vehicles. This is the change in net position for the Internal Service Fund.	2,535,912
Change in Net Position - Governmental Activities	<u>\$ 2,960,637</u>

Denton County MHMR Center
Statement of Net Position
Proprietary Fund
August 31, 2023

	Governmental Activities Internal Service Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 2,797,488
Accounts Receivable	-
Due from General Fund	23,640
Total Current Assets	<u>2,821,128</u>
Capital Assets, net	
Furniture and equipment	6,133
Vehicles	635,433
Total Capital Assets, net	<u>641,566</u>
Total Assets	<u><u>3,462,694</u></u>
Liabilities	
Current Liabilities	
Accounts payable	-
Total Current Liabilities	<u>-</u>
Long-term Liabilities	
None	-
Total Long-Term Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Position	
Investment in capital assets	641,566
Unrestricted	<u>2,821,128</u>
Total Net Position	<u><u>\$ 3,462,694</u></u>

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

Denton County MHMR Center
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended August 31, 2023

	Governmental Activities Internal Service Fund
Operating Revenues	
Internal charges to other funds	\$ 270,419
Insurance proceeds	<u>-</u>
Total Operating Revenues	270,419
Operating Expenses	
Repairs and maintenance	64,716
Depreciation expense	<u>206,967</u>
Total Operating Expenses	271,683
Operating Income (Loss)	<u>(1,264)</u>
Non-Operating Revenues (Expenses)	
Interest income	1,847
Gain on disposal of capital assets	<u>35,329</u>
Total Non-Operating Revenues	<u>37,176</u>
Transfers In	<u>2,500,000</u>
Change in Net Position	2,535,912
Net Position - Beginning	<u>926,782</u>
Net Position - Ending	<u><u>\$ 3,462,694</u></u>

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

Denton County MHMR Center
Statement of Cash Flows
Proprietary Fund
Year Ended August 31, 2023

	Governmental Activities
	Internal Service Fund
Cash Flows from Operating Activities	
Receipts from interfund services provided	\$ 264,565
Payments to vendors	(67,577)
Net Cash Provided (Used) by Operating Activities	213,015
Cash Flows from Noncapital Financing Activities	
Transfers in	2,500,000
Net Cash Provided (Used) by Noncapital Financing Activities	2,500,000
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(332,692)
Proceeds from disposal of capital assets	35,882
Net Cash Provided (Used) by Capital And Related Financing Activities	(296,810)
Cash Flows from Investing Activities	
Interest income	1,847
Net Cash Provided (Used) by Investing Activities	1,847
Net Change in Cash and Cash Equivalents	2,418,052
Cash and Cash Equivalents - Beginning	379,436
Cash and Cash Equivalents - Ending	\$ 2,797,488

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$ (1,264)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	206,967
Changes in assets and liabilities:	
Accounts receivable	16,027
Due from general fund	(5,854)
Accounts payable	(2,861)
Net Cash Provided (Used) by Operating Activities	\$ 213,015

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

Denton County MHMR Center
Statement of Fiduciary Net Position
Fiduciary Fund
August 31, 2023

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 47,905</u>
Total Assets	<u><u>47,905</u></u>
Liabilities	
None	<u>-</u>
Total Liabilities	<u>-</u>
Net Position	
Restricted for:	
Individual consumers	<u>47,905</u>
Total Net Position	<u><u>\$ 47,905</u></u>

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

Denton County MHMR Center
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended August 31, 2023

	<u>Custodial Fund</u>
Additions	
Cash collections on behalf of consumers	\$ 585,676
Total Additions	<u>585,676</u>
Deductions	
Payments of behalf of consumers	<u>613,961</u>
Total Deductions	<u>613,961</u>
Net Increase (Decrease) in Fiduciary Net Position	(28,285)
Net Position - Beginning	<u>76,190</u>
Net Position - Ending	<u><u>\$ 47,905</u></u>

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

**Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Entity - Basis of Presentation

Denton County MHMR Center ("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 Court of Denton County, Texas to develop and implement community-based mental health and intellectual developmental disability services. 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 Governmental Accounting Standards Board (GASB) Statements No. 14 and 39 as amended by GASB Statement 61 "*The Financial Reporting Entity; Omnibus, an amendment to GASB Statements No. 14 and No. 34.*" These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either A) the ability to impose will by the primary government, or B) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based on this criteria, the Center does not have any component units as of August 31, 2023.

(b) Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Center as a whole excluding fiduciary activities. Individual funds are not displayed but the statements distinguish *governmental activities*, generally supported by charges for services and operating grants, from *business-type activities*, generally financed in whole or in part with fees charged to external customers. The Center does not maintain any *business-type activities*.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Program revenues* include: (1) *charges for services* which report fees and other charges to users of the Center's services; and (2) *operating grants and contributions* which finance annual operating activities. These revenues are subject to externally imposed restrictions to these specific program uses. Other revenues not properly included among program revenues are reported as *general revenues*. Administrative expenses are allocated among the Center's programs, excluding interest on long-term debt, based on each program's proportionate share of expenses.

Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Fund Financial Statements

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

(d) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Center are prepared in accordance with generally accepted accounting principles (GAAP). The Center applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these 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 for which they are provided while grants are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements report using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Center considers revenues to be available if they are collected within 120 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for debt service expenditures, and long-term compensated absences, which are reported as expenditures in the year due.

Major revenues susceptible to accrual include billings on reimbursable type grants and awards where revenues are recognized when services are rendered or when reimbursable expenditures are incurred. Client fees are recorded at the net realizable amounts. Deferred revenues arise when resources are received before there is a legal claim to them, such as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when there is a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are internal charges to the General Fund for vehicle user fees. Principal operating expenses are the costs of operating vehicles. Other revenues and expenses are classified as non-operating in the financial statements. Internal activity between funds is eliminated in the government-wide statement of activities and statement of net position.

Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

Allocation of Indirect Expenses

The Center allocates indirect expenses primarily comprised of administrative services to operating functions and programs benefiting from those services. Administrative services include overall management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on each program's proportionate share of expenses.

(e) Fund Types and Major Funds

The Center reports the following major governmental fund:

Governmental Funds

General Fund - reports as the primary operating fund of the Center. This fund is used to account for all financial resources of the entity, except for those required to be accounted for in another fund.

Other Fund Types

Internal Service Fund - This fund is a proprietary fund type used to account for internal charges to the General Fund for the use of capital assets on a cost reimbursement basis. These funds are used to replace capital assets when necessary.

Custodial Fund - A fiduciary fund type, includes assets held for clients of the Center. The fund is purely custodial and reports the changes in assets held on behalf of clients.

(f) Budget and Budgetary Accounting

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 (HHSC) for services relating to mental health and intellectual developmental disabilities.

Contract/budget negotiations are scheduled by HHSC 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 is resubmitted to HHSC. The final budget is approved by HHSC, generally before the beginning of the new fiscal year.

Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Budget and Budgetary Accounting (continued)

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.

(g) Cash and Investments

The Center's cash and cash equivalents include cash on hand and demand deposits at commercial banks. For financial reporting purposes, unrestricted and restricted cash and investments purchased by the Center within three months of maturity are considered to be cash equivalents.

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. During the year, the Center did not own any investments or other assets subject to the fair value measurements required by generally accepted accounting principles.

(h) Receivables

Accounts receivable from consumers and insurance companies for services provided are reduced by the amount of such billings deemed by management to be ultimately uncollectible. The Center provides for an amount of uncollectible patient fees using the reserve method based on past collection history. At year end the allowance for uncollectible accounts is \$272,547.

(i) Advances and Prepaid Items

Advances for intergovernmental transfer represent advance payments of funds that will be used to furnish matching funds for the 1115 direct payment program that will be received in future periods. Prepaids record payments to vendors for services that benefit future reporting periods and are reported on the consumption basis. Prepaids are similarly reported in government-wide and fund financial statements.

(j) Capital Assets

Capital assets include property, plant, equipment, vehicles, and intangible right of use leased assets with an initial cost of \$5,000 or more and useful lives of more than one year. Capital assets are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty on the acquisition date. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets also include intangible right-of-use assets for operating lease obligations and SBITA obligations. Right-of-use assets for leases and SBITA recorded at implementation cost plus the net present value of future contractual payment requirements. Capital assets of the primary government are depreciated or amortized using the straight-line method.

**Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Capital Assets (continued)

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable and amortizable assets are as follows:

Buildings and related improvements	39
Management information systems	5
Vehicles	5
Furniture and fixtures	7-13
Right of use leased assets	lease term

(k) Long-Term Obligations

In the government-wide financial statements, outstanding debt and other long-term lease and SBITA obligations are reported as liabilities. Bond discounts and premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and related premiums along with the issuance of lease and subscription based information technology (SBITA) obligations as other financing sources of the current period. Issuance costs are reported as expenditures.

Paid Time Off (PTO) - Full-time employees earn paid time off (PTO) for each month of work performed. Progressive accrual of PTO is based on the number of years the individual has been employed by the Center ranging from 3.85 hours per pay period for employees with less than one year of service to 9.23 hours per pay period for employees with service of ten or more years. The maximum amount of PTO that may be accrued is 240 hours. PTO vests with employees after completing two years of service and is paid upon separation from service. The maximum hours eligible for payout at separation from service is 240 hours. Compensated absences are accrued in the government-wide financial statements. Governmental funds reflect only matured compensated absences payable to currently terminating employees. These amounts are included in accrued salaries.

(l) Fund Equity

Governmental funds report the following classifications of fund balance:

Non-spendable - this includes amounts that cannot be spent because they are either not spendable due to their form or are legally or contractually required to be maintained intact. All amounts reported as non-spendable at year-end are non-spendable in form.

Restricted - this includes amounts that can be spent only for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The Center has no restricted fund balances at year-end.

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

Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Fund Equity

Committed – includes amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision making authority for the Center. Commitments may be established, modified, or rescinded only through a formal resolution of the Board of Trustees.

Unassigned - this includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the fund.

(m) 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. During the year, the Center was covered under a general liability insurance plan with a combined single limit of \$1 million at a cost it considered to be economically justifiable.

The Center has entered into an agreement with the Texas Council Risk Management Fund (TCRMF), a public entity risk pool which operates as a common risk management and insurance program for members of the Texas Council of Mental Health Mental Retardation Community Centers. The agreement provides that the trust established by TCRMF will be self-sustaining through member premiums. The Center pays an annual premium to TCRMF for workers' compensation, general and auto liability, and property insurance coverages. There was no significant reduction in insurance coverage in the prior year. The amount of settlements has not exceeded insurance coverage for any of the past three years. Management does not anticipate any additional assessments for insurance premiums as a result of activities in the year ending August 31, 2023.

(n) Estimates

The preparation of financial statements in accordance 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. Actual results could differ from these estimates.

(o) Tax-exempt Status

The Internal Revenue Service has determined that the Center qualifies as a publicly supported tax exempt organization under Internal Revenue Code Section of 501(c)3. The IRS ruling does not classify the Center as a private foundation.

(p) Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent the acquisition of resources that apply to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of resources that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time.

Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) GASB 87 Leases

The Center has implemented the provisions of GASB 87, *Leases*. GASB 87 provides better information to the users of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

(r) GASB 96 *Subscription Based Information Technology Arrangements* (SBITA)

Effective September 1, 2022, the Center adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96 *Subscription-Based Information Technology Arrangements* (SBITA). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Under this Statement, the Center recognizes a right-to use subscription asset—an intangible asset—and a corresponding subscription liability at the commencement of the subscription term when the subscription asset is placed into service. The subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the borrowing rate specified in the agreement. If no interest rate is specified, the Center uses its estimated incremental borrowing rate. The Center recognizes amortization of the principal payment on the subscription liability as an outflow of resources.

The adoptions of GASB 96 had no material effect on the Center's financial statements.

Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Center's deposits may not be returned or the Center will not be able to recover collateral securities in the possession of an outside party. The Center's policy requires deposits to be fully secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health. Collateral agreements must be approved prior to deposit of funds. The Board of Trustees approves authorized depository institutions based on the recommendations of Center management. Deposits of the Center are fully insured or collateralized with securities held by the Center, its agent, or by the pledging financial institution's trust department or agent in the name of the Center.

Investments and Investment Policies

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Center policy provides that investment securities are held by a third party custodian in an account in the Center's name.

**Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023**

Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center's investing activities are managed under the custody of the Chief Financial Officer. Investing is performed in accordance with investment policies adopted by the Board of Trustees in compliance with the Public Funds Investment Act (PFIA). The Center's investment policy permits the Center to invest in 1) obligations of the United States government, its agencies and instrumentalities (excluding collateralized mortgage obligations) with maturities not to exceed two years; 2) fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas with a maximum maturity of one year; 3) SEC registered, no-load money market funds as approved by the Center Board of Trustees with a minimum rating of AA and restricted to investments authorized by the PFIA; 4) Texas Local Government investment pools as defined by the PFIA; and 5) money market accounts with the Center depository bank. During the year ended August 31, 2023, the Center did not own any types of securities other than those permitted by the PFIA or its investment policy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Center's investment policy limits the weighted average maturity of investments to a maximum of six months. The maximum allowable stated maturity of any individual Center investment shall not exceed two years.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Center's investment in a single issuer. The Center's investment policy requires that investments be diversified to minimize the risk of loss from the concentration of assets in a single issuer.

Investment limits by investment type are as follows as set forth in the Center's investment policy:

	<u>Portfolio limit</u>
U.S. treasury and securities with U.S. government guarantee	80%
U.S. government agencies and instrumentalities	50%
Fully insured or collateralized certificates of deposit	30%
Money market funds	100%
Local government investment pools (liquidity pools)	100%
Net asset value (longer duration) pools	30%
Repurchase agreements secured by securities described above	100%

The Center held no investments at year-end.

**Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023**

Note 3: RECEIVABLES FROM OTHER GOVERNMENTS

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 as of August 31, 2023, are as follows:

Medicaid Administrative Claiming	\$ 570,736
Connections HUD Grant	378,107
HHSC - MH Performance Contract	170,166
Home and Community Based Services	171,339
SAMHSA Programs	343,951
HHSC - SB292	70,372
HHSC - First Episode Psychosis (FEP)	46,990
EPINET-TX - Mental Health Research Grant	11,324
Texas Correctional Office on Offenders with Medical or Mental Impairments	41,870
HHSC - Mental Health First Aid	12,440
HHSC - MH/COVID	113,392
HHSC - Multisystemic Program	93,326
HHSC - IDD	10,607
Direct Payment Program IGT Refund	42,213
Denton County	171,954
Town of Flower Mound	9,717
Denton County Juvenile Probation	8,319
Other	8,699
Receivables from other governments	<u><u>\$ 2,275,522</u></u>

Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023

Note 4: CAPITAL ASSETS

Capital asset activity is recorded in the government-wide financial statements and the internal service fund. A summary of changes in capital asset balances for the year ended August 31, 2023, is as follows:

	Beginning Balance	Reclass or Additions	Reclass or Retirements	Ending Balance
Governmental Activities				
Non-depreciable capital assets:				
Construction in progress	\$ 435,301	\$ 21,498	\$ 189,895	\$ 266,904
Land	455,120			455,120
Total non-depreciable assets	890,421	21,498	189,895	722,024
Depreciable/amortizable assets:				
Buildings and improvements	3,575,158	222,022		3,797,180
Leasehold improvements	438,912	16,728		455,640
Furniture and equipment	88,884			88,884
Management information systems	1,232,544	86,832	396,175	923,201
Vehicles	1,423,449	332,692	77,578	1,678,563
Leased buildings*	2,636,217	162,108		2,798,325
Leased furniture and equipment*	79,780	149,136		228,916
Total depreciable/amortizable assets	9,474,944	969,518	473,753	9,970,709
Less accumulated depreciation/amortization:				
Buildings and improvements	2,653,094	154,850		2,807,944
Furniture and equipment	70,120	8,730		78,850
Management information systems	1,033,254	115,161	396,175	752,240
Vehicles	916,516	203,904	77,294	1,043,126
Leased buildings*	478,179	511,130		989,309
Leased furniture and equipment*	49,207	45,153		94,360
Total accumulated depreciation/amortization	5,200,370	1,038,928	473,469	5,765,829
Governmental Activities				
Capital Assets, net	\$ 5,164,995	\$ (47,912)	\$ 190,179	\$ 4,926,904

Gross amount of leased assets above \$3,027,241, less amortization \$1,083,669, resulting net book value of \$1,943,572.

In the government-wide financial statements, depreciation expense of \$482,645 and amortization expense of \$556,283 was charged to the Center's programs as follows:

	Depreciation	Amortization
Governmental activities:		
Mental health - adult	\$ 24,285	\$ 292,648
Intellectual developmental disabilities	6,945	230,707
Mental health - child		19,162
Administration	244,448	13,766
Internal service fund	206,967	-
Totals	\$ 482,645	\$ 556,283

Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023

Note 5: LONG-TERM LIABILITIES

The Center has entered into lease agreements for real estate with total combined monthly payments ranging from \$46,186 per month in fiscal year 2023 down to \$10,342 per month in fiscal year 2028. Lease obligations are recorded at the present value of the remaining lease payments using estimated incremental borrowing rates ranging from 2.57% to 6.52%. Terms of existing agreements expire on various dates over the next five fiscal years.

The Center has entered into lease agreements for equipment with total combined monthly payments ranging from \$3,668 per month in fiscal year 2023 down to \$233 per month in fiscal year 2028. Lease obligations are recorded at the present value of the remaining lease payments using estimated incremental borrowing rates ranging from 2.57% to 4.93%. Terms of existing agreements expire on various dates over the next five fiscal years.

Lease payments are reflected as principal and interest payments in the financial statements.

There were no material variable payments that were not included in the measurement of the lease liability. Also, there are no material residual value guarantees or termination penalties that were not previously included in the measurement of the lease liability.

Following is a summary of changes in long-term liabilities, including lease obligations for the year:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due In One Year
Governmental Activities					
Direct borrowing:					
Lease obligations*	\$ 2,188,611	\$ 311,244	\$ 556,283	\$ 1,943,572	\$ 549,344
Other liabilities:					
Compensated absences	927,430	826,165	927,430	826,165	165,233
Total long-term liabilities	<u>\$ 3,116,041</u>	<u>\$ 826,165</u>	<u>\$ 1,483,713</u>	<u>\$ 2,769,737</u>	<u>\$ 165,233</u>

Following is a summary of future lease obligation requirements at year-end:

Year	Direct Borrowing		
Ending	Principal	Interest	Total
2024	\$ 549,344	\$ 48,905	\$ 598,249
2025	444,123	33,453	477,576
2026	405,485	20,901	426,386
2027	418,762	9,588	428,350
2028	125,858	1,049	126,907
Subsequent	-	-	-
Total	<u>\$ 1,943,572</u>	<u>\$ 113,896</u>	<u>\$ 2,057,468</u>

**Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023**

Note 6: RETIREMENT PLAN

The Center maintains a 401(a) defined contribution money purchase pension plan for the benefit of eligible employees and their beneficiaries. The name of the plan is the Denton County MHMR Center Money Purchase Pension Plan. The Center contributed to the plan 5% of each covered employee's compensation for the year. These contributions are used to purchase mutual funds and/or annuity contracts on behalf of eligible Center employees. Eligible employees are employees of the Center with three months of employment. Employees vest in the Center's contributions to the plan on their behalf over a five year period as follows:

<u>Vesting Schedule</u>	
<u>Years of Service</u>	<u>Percentage</u>
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5	100%

Pension contributions by the Center for the fiscal year were \$680,169 of which \$101,693 was funded by employee forfeitures of non-vested amounts. Forfeitures consist of amounts returned to the Center for the non-vested portion of benefits for terminated employees. The plan document provides that plan forfeitures shall first be made available to reinstate previously forfeited amounts to participants, if any. Remaining forfeitures shall be used to pay the expenses associated with administration and operation of the plan. Vesting and forfeiture policies are established in the plan document. At year-end, the final contribution to the plan was due in the amount of \$21,665.

Note 7: 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 an amount not to exceed limits established by the Internal Revenue Service. The employees contributed \$236,670 for the year.

Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023

Note 8: HEALTH CARE COVERAGE - PARTIALLY SELF-FUNDED PLAN

The Center maintains a partially self-funded health insurance plan to provide health benefits to staff members and their dependents. The Center purchases commercial stop-loss coverage for medical claims in excess of \$65,000 per employee, per plan year, with an annual aggregate limit of \$1,000,000. Transactions related to the plan are accounted for in the General Fund. Liabilities are estimated after considering known claims and estimates of future claims based on normal lag times for submitted claims. The General Fund reflects a claims liability of \$166,896 at year-end. The Center does not discount these claims liabilities. Following is a summary of claims activity for the past two fiscal years:

	2023	2022
Unpaid claims, beginning of period	\$ 161,776	\$ 215,628
Incurred claims and plan insurance charges	3,112,890	2,881,737
Claims payments and insurance premiums	(3,107,770)	(2,935,589)
Unpaid claims, end of year	<u>\$ 166,896</u>	<u>\$ 161,776</u>

Note 9: COMMITMENTS AND CONTINGENCIES

The Center has participated in a number of state and federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives and regulatory authorities. The purpose of the audits is to ensure compliance with conditions relating to the granting of funds and other reimbursement regulations. Center management believes that any liability for reimbursement which may arise as the result of these audits is not believed to be material to the Center's financial position.

The Center participates in the worker's compensation risk management fund through the Texas Council Risk Management Fund (TCRMF). As a participant in this risk management fund, the Center pays monthly premiums based on a standard premium rate calculated by TCRMF. TCRMF may assess additional amounts to the Center if actual losses should exceed premiums paid up to specified limits for a look back period of up to six years. Due to low reported losses for the six open plan years, management of the Center has not accrued any estimated liability for additional assessments at year end.

Note 10: CONCENTRATION OF CREDIT RISK

The Center receives a substantial portion of its revenues in the form of annual performance contracts with the Texas Health and Human Services Commission (HHSC) for services relating to mental health and intellectual and developmental disabilities, to provide mental health or intellectual developmental disabilities services to its service area. The Center is economically dependent on the continuation of these contracts. At August 31, 2023, these contracts have been continued through August 31, 2024.

Note 11: PATIENT ASSISTED PHARMACY

Consumers periodically receive prescription medications through a program known as Patient Assisted Pharmacy (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. The Center estimates that consumers received prescription medications through this program valued at \$4,729,109 during the year ending August 31, 2023.

**Denton County MHMR Center
Notes to the Financial Statements
Year Ended August 31, 2023**

Note 12: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances are maintained in order to facilitate cash flow requirements of the respective funds and represent the amount due for internal charges for services at year-end. Balances are expected to be repaid within one year. The following is a summary of interfund lending/borrowing balances a year-end:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 23,640
Capital Assets - Internal Service Fund	23,640	-
Total All Funds	<u>\$ 23,640</u>	<u>\$ 23,640</u>

During FY23, the Center transferred \$2,500,000 from the General Fund to the Capital Assets – Internal Service Fund. This transfer was made for the purpose of providing funds for significant capital improvements that are expected to take place in FY24. Following is a summary of interfund transfers for the year:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 2,500,000	\$ -
Capital Assets - Internal Service Fund	-	2,500,000
Total All Funds	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>

Note 13: COST REPORT RECONCILIATION - CHARITY CARE PROGRAM (CCP)

Community Centers participate in a state-wide Medicaid 1115 waiver program identified as the Charity Care Pool (CCP). As a part of the CCP program, all Centers file a cost report based on the cost of the program and the services provided. The Center's cost report will be considered as a part of a statewide reconciliation process for the cost of CCP services. The cost report reconciliation will result in a settlement of an amount due to the Center. The results of the final reconciliation will not be known for several months after the report release date. Due to the uncertainty associated with this estimate and the effects of the statewide reconciliation, management has determined that an estimate is not possible at year-end. Revenues associated with this program are recorded as revenues when actually received. The amount received in FY 2023 was \$4,240,095.

Note 14: SUBSEQUENT EVENT – HOME AND COMMUNITY BASED SERVICES (HCS)

Subsequent to year-end, the Center terminated HCS Residential Group Home services due to inadequate cost reimbursements for the program. The Center notified the Texas Health and Human Services Commission (HHSC) these services had been terminated. As a result of the termination, HHSC notified the Center that due to failure to provide group home services, the Center was not in compliance with the HCS contract and the contract would be terminated. HHSC placed a vendor hold on payments for all HCS services, including Foster Care services effective January 7, 2024. The Center has appealed this decision which will now go before an Administrative Law Judge. In the event, this contract would be terminated, Center revenues would decrease by approximately 3 million dollars and Center expenditures would decrease by approximately the same amount.

REQUIRED SUPPLEMENTARY INFORMATION

Denton County MHMR Center
Budgetary Comparison Schedule
General Fund
Year Ended August 31, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Local and Earned Revenues:				
County/City tax funds	\$ 1,919,633	\$ 1,999,333	\$ 1,956,301	\$ (43,032)
Client fees and insurance, net	997,241	900,941	1,015,924	114,983
Contributions and miscellaneous income	368,949	368,949	768,079	399,130
Home and Community-Based Services	3,547,713	3,351,713	3,538,912	187,199
1115 Waiver - Direct payment program	566,053	865,048	1,026,098	161,050
1115 Waiver - Charity care program	1,320,000	4,240,095	4,240,095	-
Earned income-Medicare/Medicaid	1,779,312	1,779,312	1,912,168	132,856
Total local and earned revenues	10,498,901	13,505,391	14,457,577	952,186
State Programs:				
Mental health general revenue:				
Adult and child	7,817,288	7,817,288	7,816,870	(418)
Private psych beds	2,980,978	2,980,978	2,980,978	-
Crisis services	3,872,093	3,872,093	3,872,093	-
Intellectual and developmental disabilities:				
General revenue	1,802,965	1,802,965	1,851,989	49,024
Community living options	377,679	377,679	377,679	-
Permanency planning	14,015	14,014	14,014	-
PASRR Specialized Services	276	276	6,299	6,023
Texas Correctional Office on Offenders with Medical or Mental Impairments	152,562	152,562	180,179	27,617
Mental Health First Aid	19,400	19,400	36,000	16,600
Mental Health Multisystemic Therapy		233,600	353,019	119,419
Substance Abuse grants - state portion			1,482	1,482
Mental Health Grant Program for Justice-Involved Individuals (SB292)	422,232	422,232	422,232	-
Total state programs	17,459,488	17,693,087	17,912,834	219,747
Federal Programs:				
Mental Health Block Grant	5,905,218	1,232,587	4,703,520	3,470,933
Temporary Assistance to Needy Families	192,463	348,860	345,860	(3,000)
Social Services Block Grant	76,511	76,511	76,511	-
Medical Assistance Program	595,425	595,425	944,357	348,932
HUD Supportive Housing Grant	714,108	714,108	805,972	91,864
Money Follows the Person	66,888	66,888	65,586	(1,302)
Coronavirus State & Local Fiscal Recovery Funds	-	-	157,328	157,328
Provider Relief Funds	-	-	15,462	15,462
SAMHSA	1,671,946	4,761,000	1,671,946	(3,089,054)
Other Federal Grants	-	442,631	24,471	(418,160)
Substance Abuse Block Grants	-	-	36,826	36,826
Total federal programs	9,222,559	8,238,010	8,847,839	609,829
Investment income	156,000	156,000	195,341	39,341
Total Revenues	\$ 37,336,948	\$ 39,592,488	\$ 41,413,591	\$ 1,821,103

(Continued)

Denton County MHMR Center
Budgetary Comparison Schedule
General Fund
Year Ended August 31, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES:				
Salaries	\$ 17,699,737	\$ 19,814,537	\$ 19,780,241	\$ 34,296
Employee benefits	5,028,206	5,411,208	5,350,418	60,790
Travel and training	127,191	335,841	250,776	85,065
Legal and professional	39,765	39,765	40,607	(842)
Building maintenance	354,632	475,632	521,686	(46,054)
Vehicle fuel and maintenance	406,962	428,462	459,823	(31,361)
Building rents	85,982	169,982	208,442	(38,460)
Non capital furniture and equipment	769,483	784,683	721,523	63,160
Contracted services	2,644,123	2,842,323	2,746,317	96,006
Medications and drugs	840,000	955,600	967,888	(12,288)
Utilities and telephone	558,524	613,624	629,271	(15,647)
Insurance	78,799	78,799	87,473	(8,674)
Hospital bed costs	4,336,997	3,875,997	3,385,144	490,853
Consumer related costs	851,735	1,233,735	1,158,823	74,912
Consumer training	506,249	506,249	564,722	(58,473)
Other	620,430	650,430	748,097	(97,667)
Capital outlay	47,500	161,542	468,429	(306,887)
Debt service: Principal	556,283	556,283	556,283	-
Debt service: Interest expense	58,780	58,780	58,780	-
Total expenditures	35,611,378	38,993,472	38,704,743	288,729
Excess (deficiency) of revenues over (under) expenditures	1,725,570	599,016	2,708,848	2,109,832
OTHER FINANCING SOURCES (USES):				
Transfers out			(2,500,000)	(2,500,000)
Issuance of lease obligations			311,244	311,244
Proceeds from disposal of capital assets	(22,631)	(22,631)	5,600	28,231
Total other financing sources (uses)	(22,631)	(22,631)	(2,183,156)	(2,160,525)
Net Change in Fund Balance	1,702,939	576,385	525,692	(50,693)
Fund balance-Beginning	19,485,708	19,485,708	19,485,708	-
Fund balance-Ending	\$ 21,188,647	\$ 20,062,093	\$ 20,011,400	\$ (50,693)

Notes to schedule:
Budget is prepared on a basis consistent with GAAP.

STATISTICAL SECTION (UNAUDITED)

DENTON COUNTY MHMR CENTER
SCHEDULE OF REVENUES AND EXPENDITURES BY SOURCE OF FUNDS
GENERAL FUND (Unaudited)
Year Ended August 31, 2023

Fund Sources	Total Revenue	Total Mental Health Adult Expenditures	Total Mental Health Children Expenditures	Total IDD Program Expenditures	Total Other Expenditures	Total Center Expenditures	Excess Revenue Over Expenditures
<u>Objects of Expense:</u>							
Personnel	\$ 17,409,630	\$ 7,389,728	\$ 686,797	\$ 4,106,270	\$ 5,226,835	\$ 17,409,630	\$ -
Employee Benefits	4,624,154	1,842,627	154,488	1,195,948	1,431,091	4,624,154	-
Contracted Direct Services - Ext Providers	6,692,853	4,188,432	78,425	2,329,874	96,122	6,692,853	-
Contracted Direct Services - Int Providers	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Capital Outlay	73,802	36,260	2,056	15,648	19,838	73,802	-
Pharmaceutical Expense	992,857	886,727	47,989	-	58,141	992,857	-
PAP Expense	4,729,109	4,673,427	516	-	55,166	4,729,109	-
Other Operating Expense	4,472,712	1,189,955	148,262	1,106,121	2,028,374	4,472,712	-
Allocation of General Admin to Strategies	4,035,339	1,829,331	131,663	1,030,899	1,043,446	4,035,339	-
Allocation of Authority Admin to Strategies	403,400	246,650	17,752	138,998	-	403,400	-
Total Expenditures	\$ 43,433,856	\$ 22,283,137	\$ 1,267,948	\$ 9,923,758	\$ 9,959,013	\$ 43,433,856	\$ -
<u>Method of Finance:</u>							
General revenue - mental health	\$ 6,945,462	\$ 6,945,462	\$ -	\$ -		\$ 6,945,462	\$ -
General revenue - MH crisis	2,619,310	2,619,310	-	-	-	2,619,310	-
General revenue - MH crisis PBB	2,980,978	2,980,978	-	-	-	2,980,978	-
General revenue - MH transitional services	511,193	511,193	-	-	-	511,193	-
General revenue - MH intensive ongoing	741,590	741,590	-	-	-	741,590	-
General revenue - IDD services	1,783,514	-	-	1,783,514	-	1,783,514	-
General revenue - community living options	377,679	-	-	377,679	-	377,679	-
Mental health block grant	345,554	256,364	89,190	-	-	345,554	-
Texas children's mental health	770,760	-	770,760	-	-	770,760	-
Permanency planning	14,014	-	-	14,014	-	14,014	-
PSARR/OBRA Funds	10,426	-	-	10,426	-	10,426	-
Title XX - TANF	152,863	25,818	127,045	-	-	152,863	-
Title XX - social services block grant	76,511	76,511	-	-	-	76,511	-
Pap contributions	4,729,109	4,673,427	516	-	55,166.00	4,729,109	-
Other federal funds	11,495,310	2,052,002	89,049	525,794	8,828,465	11,495,310	-
Other state funds	2,290,966	1,362	36,000	1,183,126	1,070,478	2,290,966	-
Earned income	3,470,646	-	11,934	3,458,712	-	3,470,646	-
Required local match	1,492,761	1,231,651	113,456	147,654	-	1,492,761	-
Additional local funds	2,625,210	167,469	29,998	2,422,839	4,904	2,625,210	-
Total Expended Sources	\$ 43,433,856	\$ 22,283,137	\$ 1,267,948	\$ 9,923,758	\$ 9,959,013	\$ 43,433,856	\$ -
<u>Reconciliation:</u>							
Total Audited Revenues and				Total Audited Expenditures and			
Other Financing Sources - General Fund	\$ 41,730,435			Other Financing Uses - General Fund	\$ 38,704,743	\$ 3,025,692	
PAP Contributions	4,729,109			PAP Contributions	4,729,109	-	
Net Change in Fund Balance	(3,025,692)				-	(3,025,692)	
Rounding	4			Rounding	4	-	
Total Revenues Reconciled to 4th Quarter Report III	\$ 43,433,856			Total Expenditures Reconciled to 4th Quarter Report III	\$ 43,433,856	\$ -	

DENTON COUNTY MHMR CENTER
SCHEDULE OF INDIRECT COSTS (Unaudited)
Year Ended August 31, 2023

	Total Costs	Nonallowable Costs	Depreciation/ Amortization	Total Adjusted Costs	Direct Costs	Indirect Costs
Salaries and wages	\$ 19,780,241	\$ -	\$ -	\$ 19,780,241	\$ 17,409,630	\$ 2,370,611
Fringe Benefits	5,350,419	-	-	5,350,419	4,624,154	726,265
Debt service - principal	556,283	(556,283)	558,283	558,283	558,283	-
Debt service - interest	58,780	-	-	58,780	57,658	1,122
Capital Outlay	468,428	(468,428)	-	-	-	-
Depreciation		-	482,645	482,645	327,738	154,907
Pharmaceutical Expense	992,757	-	-	992,757	992,757	-
Other Operating Expense	11,497,835	499,090	-	11,996,925	11,166,185	830,740
Total Expenses	\$ 38,704,743	\$ (525,621)	\$ 1,040,928	\$ 39,220,050	\$ 35,136,405	\$ 4,083,645
Indirect Costs						\$ 4,083,645
Direct Costs						\$ 35,136,405
Indirect Cost Rate						11.62%

DENTON COUNTY MHMR CENTER
SCHEDULE OF LEASES IN EFFECT (Unaudited)
Year Ended August 31, 2023

Lessor	Description	Period	Monthly Amount
Denton Affordable Housing	1025 Beechwood Denton, Texas	Month to Month Closing 10/31/2023	\$ 1,143
Denton Affordable Housing	2320 Bernard Denton, Texas	Month to Month Closing 10/31/2023	1,239
Denton Affordable Housing	2314 Bernard Street Denton, Texas	Month to Month Closing 10/31/2023	1,239
Denton Affordable Housing	3809 Camelot Denton, Texas	Month to Month	1,631
Denton Affordable Housing	3100 Cedar Hill Denton, Texas	Month to Month Closing 10/31/2023	1,516
Denton Affordable Housing	3813 Camelot Denton, Texas	Month to Month Closing 10/31/2023	1,239
M-Square Properties	124 Daugherty Street, #2 Denton, Texas	04/01/2021 - 06/30/2023 07/01/2023 - 05/30/2024	775 800
M-Square Properties	124 Daugherty Street, #1 Denton, Texas	04/01/2021 - 06/30/2023 07/01/2023 - 05/30/2024	725 750
M-Square Properties	124 Daugherty Street, #4 Denton, Texas	04/01/2022 - 06/30/2023 07/01/2023 - 05/31/2024	300 320
Mas Denton VZ LP	3835 Morse St (MOPC) Denton, Texas	10/01/2017 - 09/30/2027	15,045
Mas Denton VZ LP	3827 Morse St (Morse) Denton, Texas	04/01/2020 - 09/30/2027	5,063
PAAGE, Ltd	2509 Scripture St (COPC) Denton, Texas	05/01/2021 - 04/30/2024	11,777
The Atrium at FM	1001 Cross Timbers, Ste 1250, 1030 & 1040 Flower Mound, Texas	05/01/2023 - 04/31/2024 05/01/2024 - 04/31/2025 05/01/2025 - 04/31/2026 05/01/2026 - 04/31/2027 05/01/2027 - 04/31/2028	11,777 12,072 12,374 12,683 13,000

DENTON COUNTY MHMR CENTER
SCHEDULE OF LEASES IN EFFECT (Unaudited)
Year Ended August 31, 2023

Lessor	Description	Period	Monthly Amount
Heartland Investments LLC	1614 Scripture St. Suite 6 (Connections)	10/1/2022 - 9/30/2023	\$ 1,679
		10/1/2023 - 9/30/2024	1,729
		10/1/2024 - 9/30/2025	1,778
Serve Lewisville	1001 S. Edmonds Lane, Lewisville Lewisville, Texas	7/10/2023 - 6/30/2025	3,505
Canon Financial Services	Twelve Copy Machines & Post Scripts		
	UMW04425 - LOPC FNT DESK	10/1/2022 - 10/31/2027	163
	UMW04426 - LOPC CRISIS	10/1/2022 - 10/31/2027	163
	UMW04035 - DOPC ED	10/1/2022 - 10/31/2027	151
	UMW04037 - DOPC FISCAL	10/1/2022 - 10/31/2027	151
	UMW04043 - DOPC C&A	10/1/2022 - 10/31/2027	163
	UMW04042 - DOPC CLINIC	10/1/2022 - 10/31/2027	163
	UMW04031 - DOPC MED REC	10/1/2022 - 10/31/2027	295
	UMW04033 - DOPC FNT DESK	10/1/2022 - 10/31/2027	151
	UMW04025 - CRISIS RES	10/1/2022 - 10/31/2027	163
	SMT05100 - DOPC MAIN	10/1/2022 - 10/31/2027	295
	SMT05241 - COPC CRISIS	10/1/2022 - 10/31/2027	295
	35V02418 - CONNECTIONS	10/1/2022 - 10/31/2027	162
Canon / Oce Financial Services	Four Copy Machines		
	2LP01316 - MOPC NURSING	04/2019 - 04/2024	256
	2LP01317 - MOPC MAIN	04/2019 - 04/2024	256
	2L901322 - LOPC MAIN	04/2019 - 04/2024	256
Canon / Oce Financial Services	One Copy Machines - LOPC MED XVJ03593	04/2019 to 04/2024	239
Canon / Oce Financial Services	One Copy Machines - COPC PT QHM04876	10/2017 to 10/2022	165
Canon / Oce Financial Services	One Copy Machine - DOPC IT 2TP07255	12/2019 to 12/2024	28
Canon / Oce Financial Services	One Copy Machine - DOPC Med Rec 2RW02505	09/2019 to 9/2024	169
Pitney Bowes	Postage Machine	11/1/2022 - 10/31/2027	333

DENTON COUNTY MHMR CENTER
SCHEDULE OF INSURANCE IN FORCE (Unaudited)
Year Ended August 31, 2023

Name of Insurer	Policy Period	Coverage Provided	Amount
Texas Council Risk Management Fund	9/1/22 - 9/1/23	Workers' Compensation	Statutory
Texas Council Risk Management Fund	9/1/22 - 9/1/23	Automobile Liability Per Occurrence Limit Deductible	\$ 1,000,000 1,000
Texas Council Risk Management Fund	9/1/22 - 9/1/23	General Liability Per Occurrence Limit Annual Aggregate Deductible	1,000,000 1,000,000 1,000
Texas Council Risk Management Fund	9/1/22 - 9/1/23	Professional Liability Per Claim Limit Annual Aggregate Sexual Misconduct Per Occurrence Annual Aggregate Professional Defense Per Occurrence Annual Aggregate Deductible	1,000,000 3,000,000 100,000 300,000 30,000 100,000 5,000
Texas Council Risk Management Fund	9/1/22 - 9/1/23	Errors and Omissions Liability Per Claim Limit Annual Aggregate Expanded Employee Practices Per Occurrence Annual Aggregate Deductible Excess Liability	1,000,000 1,000,000 50,000 100,000 5,000 2,000,000
Texas Council Risk Management Fund	9/1/22 - 9/1/23	All Risk Property Coverage Coverage Basis Boiler & Machinery Deductible Electronic Data Processing Equipment Automobile Physical Damage Blanket Limit Each Occurrence Deductible	6,299,395 36,616 5,000 1,718,392 Actual Cash Value Actual Cash Value 10,031,208 5,000
Western Surety J.I. Special Risks - Agent	9/1/22 - 9/1/23	Employee Dishonesty Deductible	100,000 250
TransAmerica	1/10/23 - 1/10/25	Key Man Term Life Ins for Executive Director	249,999
J.I. Special Risks - Agent	9/1/22 - 9/1/23	Cyber Liability Coverage Annual Aggregate	2,000,000

DENTON COUNTY MHMR CENTER
SCHEDULE OF BOND COVERAGE (Unaudited)
Year Ended August 31, 2023

Surety Company	Title of Position	Amount
Assurance Agency LTD	Guardianship Program	\$ 25,000

DENTON COUNTY MHMR CENTER
SCHEDULE OF PROFESSIONAL AND CONSULTING FEES (Unaudited)
Year Ended August 31, 2023

Contractor	City	Type of Service	Contracted Amount
Adams Pest Control Services	Denton	Pest Control Services	\$ 15,000
Advanced Dallas Hospital	Dallas	Medical Detoxification	150,000
Above Expectations	Denton	Day Habilitation Services	50,000
Above Expectations	Denton	Individualized Skills and Socialization	50,000
Aspire	Lewisville	Day Habilitation Services	125,000
Aspire	Lewisville	Individualized Skills and Socialization	50,000
Bluhm, Donna	Krum	IDD Social Work Services	25,000
Brown, Kasey	Justin	Veteran Services	94,322
Clinical Pathology Laboratories	Denton	Clinical Drug & Alcohol Testing	85,000
Delta-T Group Western Pennsylvania	Bryn Mawr, PA	Direct Care Professional Services	150,000
Dallas Metrocare Services	Dallas	CLOIP Services	85,312
Dallas Behavioral Healthcare Hospital	Dallas	Psychiatric In-patient (Diversion)	500,000
Dallas Behavioral Healthcare Hospital	Dallas	Psychiatric In-patient (Voluntary)	500,000
Ferguson, Helen	Fort Worth	Crisis Intervention Services	20,000
Ferguson, Helen	Fort Worth	Psychology Services	95,000
Grace Counseling	Lewisville	Ambulatory Detoxification	270,000
Greenway Lawn Care	Sanger	Lawn Maintenance	20,000
Griffith, Julianne	Denton	Behavior Analysis	35,000
IPM	Fresno	Pharmacy Services	1,000,000
Life Works Community	Denton	Day Habilitation Services	75,000
Life Works Community	Denton	Individualized Skills and Socialization	50,000
Lifepath Systems	McKinney	CLOIP Services	27,520
MasterWord Services	Houston	Translation Services	50,000
Metrocrest Community Services	Carrollton	Day Habilitation Services	100,000
Metrocrest Community Services	Carrollton	Individualized Skills and Socialization	50,000
Raizada, Miles MD	Denton	Medication Assisted Treatment	186,000
Scott Singleton Fincher	Greenville	Auditing	33,500
Special Abilities of North Texas	Lewisville	Day Habilitation Services	150,000
Special Abilities of North Texas	Lewisville	Individualized Skills and Socialization	50,000
Springwood Hospital	Hurst	Psychiatric In-patient (Voluntary)	500,000
Springwood Hospital	Hurst	Psychiatric In-patient (Involuntary)	170,000
Springwood Hospital	Hurst	Psychiatric In-patient (Diversion)	500,000
Tarrant County MHMR	Fort Worth	CLOIP Services	44,720
Tarrant County MHMR	Fort Worth	Crisis Line Call Answering Srvcs	106,425
University Behavioral Health	Denton	Psychiatric In-patient (Voluntary)	600,000
University Behavioral Health	Denton	Psychiatric In-patient (Involuntary)	300,000
University Behavioral Health	Denton	Psychiatric In-patient (Diversion)	1,500,000
United Hands	Denton	Day Habilitation Services	130,000
United Hands	Denton	Individualized Skills and Socialization	50,000
White, Kimberly	Denton	Speech Therapy Services	120,000
Wood Group	Wichita Falls	IDD Crisis Respite	204,000
Ahmed, Ghulamhusein	Lewisville	Family Living Services	15,826
Alexander, Veronica	Denton	Family Living Services	17,104
Amadi, Wenike "Judy"	The Colony	Family Living Services	17,104
Argo, Jimmie	Denton	Family Living Services	17,104
Arndt, Marion	Aubrey	Family Living Services	33,320
Baker, Dyan	Denton	Family Living Services	15,826
Bickford, Denae	Flower Mound	Family Living Services	17,104

DENTON COUNTY MHMR CENTER
SCHEDULE OF PROFESSIONAL AND CONSULTING FEES (Unaudited)
Year Ended August 31, 2023

Contractor	City	Type of Service	Contracted Amount
Brazeal, Norma	Denton	Family Living Services	32,500
Brown, Cynthia	Flower Mound	Family Living Services	17,104
Brown, Hayden (RELIEF ONLY)	Flower Mound	Family Living Services	3,000
Bryant, Darlene	Denton	Family Living Services	26,521
Button, Geraldine	Denton	Family Living Services	15,826
Cargile, Kent	Denton	Family Living Services	17,104
Chan, Howin and Zippora	The Colony	Family Living Services	17,104
Cummings, Thomas	Sanger	Family Living Services	17,104
Douglas, Donald	Denton	Family Living Services	17,104
Edgar, Cindi	Sanger	Family Living Services	15,826
Elashkar, Aida	Lewisville	Family Living Services	15,826
Ewing, David	Lewisville	Family Living Services	18,764
Fitts, Earl and Kay	Krum	Family Living Services	34,208
Flagg, Debra	Denton	Family Living Services	15,826
Gardener, Tracey	Denton	Family Living Services	41,015
Garner-Oshunkentan, Kendra	Aubrey	Family Living Services	20,104
Gloria, Helen	Sanger	Family Living Services	23,521
Gonzales, Ruperta	The Colony	Family Living Services	32,500
Gueh-Saydee, Bonn	Aubrey	Family Living Services	3,000
Harper, Karla	Carrollton	Family Living Services	15,826
Harris, Deborah	Frisco	Family Living Services	32,500
Hatridge, Vickie	Krum	Family Living Services	17,104
Hernandez, Rosa	Flower Mound	Family Living Services	15,826
Hickey, Dianne	Flower Mound	Family Living Services	32,500
Holcomb, Lawanda	Denton	Family Living Services	26,524
Lee, Thomas	The Colony	Family Living Services	17,104
Loyd, Chris	Ponder	Family Living Services	43,625
Loyd, Zelda	Ponder	Family Living Services	18,826
Mack, Leon	Hickory Creek	Family Living Services	17,104
Mask, Ellen	Flower Mound	Family Living Services	17,104
Matheus, Isabella	Sanger	Family Living Services	17,104
McBride, Elizabeth	Cross Roads	Family Living Services	51,312
McGee, Catherine	Aubrey	Family Living Services	17,104
Mohair, Ida (RELIEF ONLY)	Denton	Family Living Services	3,000
Mungia, Enrique	The Colony	Family Living Services	31,215
Najera, Ella	Lewisville	Family Living Services	15,826
Perry, Maye Lorraine (RELIEF ONLY)	Highland Village	Family Living Services	3,000
Phillips, Alisa and Jeffrey	Flower Mound	Family Living Services	17,104
Porter, Aura (RELIEF ONLY)	Justin	Family Living Services	3,000
Porter, Earlean	Justin	Family Living Services	49,127
Potts, Tracy	Carrollton	Family Living Services	17,104
Powell, Joyce	Lewisville	Family Living Services	17,104
Powell, Tanaka (RELIEF ONLY)	Lewisville	Family Living Services	3,000
Riney, Kathleen	Flower Mound	Family Living Services	23,521
Ruales, Elba	Justin	Family Living Services	23,521
Scales, Tasana	Little Elm	Family Living Services	20,104
Schuh, John and Judith	Lake Dallas	Family Living Services	15,826
Scott, Valarie	Denton	Family Living Services	17,104

DENTON COUNTY MHMR CENTER
SCHEDULE OF PROFESSIONAL AND CONSULTING FEES (Unaudited)
Year Ended August 31, 2023

Contractor	City	Type of Service	Contracted Amount
Seal, Barbara	Denton	Family Living Services	16,208
Sheehan, Stacey (RELIEF ONLY)	Lewisville	Family Living Services	3,000
Stamper, Patsy	Flower Mound	Family Living Services	17,104
Strittmatter, Joyce	Pilot Point	Family Living Services	17,104
Thomas, Genetta (RELIEF ONLY)	Denton	Family Living Services	3,000
Trawick, Eva	Aubrey	Family Living Services	32,616
Varughese, Jose and Thankakutty	Carrollton	Family Living Services	22,293
Washington, Dedra (RELIEF ONLY)	Denton	Family Living Services	3,000
Wilson, Ron	Decatur	Family Living Services	32,500
Young, Stephen and Peggy	Lewisville	Family Living Services	17,104

DENTON COUNTY MHMR CENTER
SCHEDULE OF LEGAL SERVICES (Unaudited)
Year Ended August 31, 2023

<u>Name</u>	<u>City</u>	<u>Type of Service</u>	<u>Amount</u>
Hayes, Berry, White & VanZant	Denton, TX	General Legal	\$ 1,607

COMPLIANCE AND INTERNAL CONTROLS SECTION

SCOTT, SINGLETON, FINCHER AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

4815-A KING STREET
TELEPHONE 903-455-4765
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GREENVILLE, TEXAS 75401

Member of:
Governmental Audit Quality Center

Members of:
American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

Independent Auditor's Report

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

To the Board of Trustees
Denton County MHMR Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denton County MHMR Center ("Center"), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise Denton County MHMR Center's basic financial statements, and have issued our report thereon dated January 23, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Denton County MHMR 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 Denton County MHMR Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Denton County MHMR Center's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denton County MHMR 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.

Scott, Singleton, Fincher and Company, PC

Greenville, Texas
January 23, 2024

SCOTT, SINGLETON, FINCHER AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Compliance For Each Major Program And on Internal Control Over Compliance Required by the Uniform Guidance and Texas Grant Management Standards

To the Board of Trustees
Denton County MHMR Center

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Denton County MHMR Center's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement*, Texas Grant Management Standards (TxGMS), and the Texas Health and Human Services Commission's *Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers* that could have a direct and material effect on each of Denton County MHMR Center's major federal and state programs for the year ended August 31, 2023. Denton County MHMR Center's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Denton County MHMR 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, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); Texas Grant Management Standards; and the Texas Health and Human Services Commission's *Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers*. Our responsibilities under those standards, the Uniform Guidance, TxGMS, and the Texas Health and Human Services Commission's *Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, TxGMS, and the Texas Health and Human Services Commission's *Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers* we:

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, Texas Grant Management Standards, and the *Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers*. Accordingly, this report is not suitable for any other purpose.

Scott, Singleton, Fincher and Company, PC

Greenville, Texas
January 23, 2024

DENTON COUNTY MHMR CENTER
Schedule of Findings and Questioned Costs
Year Ended August 31, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP (unmodified, qualified, adverse or disclaimer):

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes

 x no

Significant deficiency(ies) identified?

_____ yes

 x none reported

Noncompliance material to financial statements noted?

_____ yes

 x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes

 x no

Significant deficiency(ies) identified?

_____ yes

 x none reported

Type of auditor’s report issued on compliance for major federal programs (unmodified, qualified, adverse or disclaimer):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes

 x no

State Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes

 x no

Significant deficiency(ies) identified?

_____ yes

 x none reported

Type of auditor’s report issued on compliance for major state programs (unmodified, qualified, adverse or disclaimer):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Texas Grant Management Standards?

_____ yes

 x no

DENTON COUNTY MHMR CENTER
Schedule of Findings and Questioned Costs (continued)
Year Ended August 31, 2023

Section I – Summary of Auditor’s Results (continued)

Identification of major federal programs:

<u>ALN/CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.958	Block Grants for Community Mental Health Services originating with the U.S. Department of Health and Human Services passed through the Texas Health and Human Services Commission and a direct award from U.S. Department of Health and Human Services
93.558	Temporary Assistance for Needy Families (TANF) originating with the U.S. Department of Health and Human Services passed through the Texas Health and Human Services Commission

Dollar threshold used to distinguish between
Type A and Type B federal programs:

_____ \$750,000 _____

Auditee qualified as low-risk auditee?

☒ yes ☐ no

Identification of major state programs:

<u>ALN/CFDA Number(s)</u>	<u>Name of State Program or Cluster</u>
N/A	State General Revenue – Mental Health (Behavioral Health) Adult Services passed through the Texas Health and Human Services Commission
N/A	State General Revenue – Intellectual and Developmental Disabilities Services passed through the Texas Health and Human Services Commission
N/A	State General Revenue – Multi-systemic Therapy Grant Program passed through the Texas Health and Human Services Commission

Dollar threshold used to distinguish between
Type A and Type B state programs:

_____ \$750,000 _____

Auditee qualified as low-risk auditee?

☒ yes ☐ no

DENTON COUNTY MHMR CENTER
Schedule of Findings and Questioned Costs (continued)
Year Ended August 31, 2023

Section II – Financial Statement Findings

This section should identify the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting.

No findings were noted.

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by the 2 CFR 200.561(a) (for example, significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and material abuse).

No findings were noted.

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Texas Grant Management Standards, (for example, significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and material abuse).

No findings were noted.



DENTON COUNTY MHMR CENTER

DENTON COUNTY MHMR CENTER SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDING AUGUST 31, 2023

The summary schedule of prior audit findings reports the status of all audit findings included in the prior audit's schedule of findings and questioned costs. The summary schedule also includes audit findings reported in the prior audit's summary schedule of prior auditing findings except audit findings listed as corrected in accordance with 2 CFR 200.511(b)(1), or no longer valid or not warranting further action in accordance with paragraph 2 CFR 200.511(b)(3).

2022 finding was fully corrected.

No findings were noted in fiscal year 2021.

FEDERAL AND STATE EXPENDITURES SECTION

Denton County MHMR Center
Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2023

Program Title	Federal ALN/CFDA Number	Pass-Through Grantor's Number	Expenditures
Federal Awards			
U.S. Department of Health and Human Services			
<u>Direct Award:</u>			
COVID-19 Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	93.498	Direct Award	\$ 36,406
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	Direct Award	77,002
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	Direct Award	1,594,944
Block Grants for Community Mental Health Services	93.958	Direct Award	2,872,715
Passed through the Texas Health and Human Services Commission (HHSC)			
COVID-19 - Temporary Assistance for Needy Families (TANF PEA)	93.558	HHS001120200016	192,997
Temporary Assistance for Needy Families (TANF)	93.558	HHS001022200015	152,863
Social Services Block Grant	93.667	HHS001022200015	76,511
Medicaid Administrative Claiming - Medical Assistance Program	93.778	HHS000537900328	864,396
Habilitation Coordination - Medical Assistance Program	93.778	HHS000995400001	79,961
Money Follows the Person Rebalancing Demonstration	93.791	HHS000995400001	65,586
Block Grants for Community Mental Health Services	93.958	HHS000187100001	89,049
COVID-19 - Block Grants for Community Mental Health Services (MH/COVID)	93.958	HHS001108400015	858,201
Block Grants for Community Mental Health Services	93.958	HHS000336800001	327,895
COVID-19 Block Grants for Community Mental Health Services (CSC/FEP)	93.958	HHS000336800001	48,500
Block Grants for Community Mental Health Services	93.958	HHS001022200015	(1) 507,160
Block Grants for Prevention and Treatment of Substance Abuse	93.959	HHS001040100033 SA/TRY	1,375
Block Grants for Prevention and Treatment of Substance Abuse	93.959	HHS001040100032 SA/TRA	35,451
Total passed through HHSC			3,299,945
Passed through The University of Texas at Austin			
Mental Health Research Grants	93.242	UT AUS-SUB00000254AM2	24,471
Total U.S. Department of Health and Human Services			7,905,483
U.S. Department of Housing and Urban Development (HUD)			
<u>Direct Award:</u>			
Continuum of Care Program	14.267	Direct Award	805,972
Total HUD			805,972
U.S. Department of Treasury			
Passed through City of Denton			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	157,328
Total U.S. Department of Treasury			157,328
Total Expenditures of Federal Awards			\$ 8,868,783
Total ALN/CFDA 93.558 345,860			
Total ALN/CFDA 93.778 944,357			
Total ALN/CFDA 93.958 4,703,520			

(1) Received \$596,779, expended \$507,160

Denton County MHMR Center
Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2023

Program Title	Pass-Through Grantor's Number	Expenditures
State Awards		
Texas Health and Human Services Commission (HHSC)		
General Revenue - Mental Health Adult	HHS001022200015	\$ 6,945,462
Crisis Redesign Services	HHS001022200015	3,872,093
Private Psychiatric Beds	HHS001022200015	2,980,978
Veterans Program	HHS001022200015	99,286
Post Discharge Civil Commits Med	HHS001022200015	(2) 1,362
Total General Revenue - Mental Health Adult		13,899,181
General Revenue - Children's Mental Health	HHS001022200015	770,760
Mental Health Grant Program for Justice-Involved Individuals	HHS000134400008	422,232
Multisystemic Therapy Grant Program	HHS001285300003	353,019
COVID-19 Substance Abuse Contract - Youth services	HHS001040100033 SA/TRY	14
COVID-19 Substance Abuse Contract - Adult services	HHS001040100032 SA/TRA	1,468
Mental Health First Aid	HHS000187100001	36,000
General Revenue - Intellectual & Developmental Disabilities (IDD)	HHS000995400001	1,342,304
CLOIP	HHS000995400001	377,679
Permanency Planning	HHS000995400001	14,014
Crisis Intervention Specialists	HHS000995400001	(4) 185,319
Crisis Intervention Specialists - 2022 carryover	HHS000995400001	41,192
Crisis Respite Services - 2023	HHS000995400001	(3) 199,546
Crisis Respite Services - 2022 carryover	HHS000995400001	8,854
American Rescue Plan Act of 2021 - Workforce Challenges	HHS000995400001	74,774
American Rescue Plan Act of 2021 - Electronic Interface Project	HHS000995400001	(5) -
Nursing Facility Specialized Services Form 1048	HHS000995400001	6,299
Total General Revenue - IDD		2,249,981
Total HHSC		17,732,655
Total Expenditures of State Awards		\$ 17,732,655
Total Expenditures of Federal and State Awards		\$ 26,601,438

- (2) Received \$21,356, expended \$1,361
(3) Received \$256,121, expended \$193,359
(4) Received \$216,542, expended \$174,135
(5) Received \$55,000 expended \$ -0-

DENTON COUNTY MHMR CENTER
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards ("Schedule") includes the federal and state award activity of Denton County MHMR Center (the "Center") under programs of the federal and state governments for the year ended August 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Texas Grant Management Standards (TxGMS). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Center.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance and TxGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Expenditures reported for the Medical Assistance Program (Medicaid; Title XIX) ALN/CFDA 93.778 represent expenditures incurred during the audit period that the Center anticipates will be reimbursed through invoices submitted to the Texas Health and Human Services Commission. Due to the timing of the submission of these invoices, actual reimbursements received during the year will differ from these amounts.

3. INDIRECT COST RATE

The Center has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. NATURE OF ACTIVITIES

The Center receives various grants to cover costs of specified programs. Final determination of eligibility of costs will be made by the grantors. Should any costs be found ineligible, the Center will be responsible for reimbursing the grantors for these amounts.

5. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal and state award programs are reported in the Center's basic financial statements in the General Fund. State award programs presented in the accompanying Schedule do not include funds received from the Texas Correctional Office on Offenders with Medical or Mental Impairments (TCOOMMI) in the amount of \$180,179. These revenues have been excluded from the Schedule by specific request of the funding agency. These revenues are included in total state program revenues in the basic financial statements. These state program excluded from the accompanying schedule is not considered financial assistance as defined in Texas Grant Management Standards (TxGMS).

The federal program reported as a different amount on the accompanying financials than on the accompanying Schedule relates to COVID-19 Provider Relief Funds. Per guidance issued by OMB, Provider Relief Funds reported in Periods 4 and Period 5 of the PRF reporting portal should be presented on the Schedule for periods ending on August 31, 2023.

Pursuant to OMB guidance, Provider Relief Funds reported in the PRF portal for Period 5 that were recognized as revenue in a prior audit period in the amount of \$20,944 are included on the Schedule.

DENTON COUNTY MHMR CENTER
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2023

5. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (continued):

A reconciliation of the Schedule of Federal and State Awards to the financial statements is as follows:

State expenditures per schedule:	\$ 17,732,655
TCOOMMI program	<u>180,179</u>
State revenues per basic financial statements	<u><u>\$ 17,912,834</u></u>
 Federal expenditures per schedule:	 \$ 8,868,783
Provider Relief Funds reported in Period 5 of the PRF	
report portal recognized as revenue in prior years	<u>(20,944)</u>
Federal revenues per basic financial statements	<u><u>\$ 8,847,839</u></u>

6. STATE AWARD GUIDELINES

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