



Transforming Lives

(A COMPONENT UNIT OF HARRIS COUNTY, TEXAS)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For Fiscal Years Ended
August 31, 2018 and 2017**

Wayne Young, MBA, LPC, FACHE
Chief Executive Officer

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

Listing of Officials

August 31, 2018

Board of Trustees

Jon R. Keeney	Chairperson
Lois J. Moore, BSN, MED, LHD, FACHE	Vice Chairperson
George Santos, MD	Vice Chairperson
Shaukat Zakaria	Secretary
Susan Fordice	Member
Bonnie C. Hellums, MED, LMFT, LCDC, AAC, JD	Member
Wesley P. Hunt	Member
Quianta Moore, MD, JD	Member
Gerald W. Womack	Member

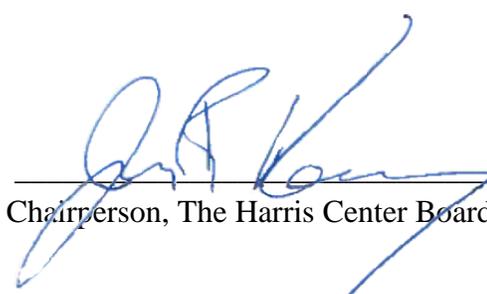
Executive Staff

Wayne Young, MBA, LPC, FACHE Chief Executive Officer	Carson Easley, MS, RN Chief Nursing Officer
Sean Kim, MBA, CPA Chief Administrative Officer	Daryl K. Knox, MD, DLFAPA Chief Medical Officer
Lillian Aguirre Ortiz, MSW Chief of Staff	Keena Pace, LCSW Chief Operating Officer
Chuck Rittenhouse, CPA, CMA Interim Chief Financial Officer	Kendra Thomas, JD, LPC-S General Counsel

**THE HARRIS CENTER
FOR MENTAL HEALTH AND IDD**

CERTIFICATE OF BOARD APPROVAL

I, Jon R. Keeney, Chairperson of the Board of Trustees of The Harris Center for Mental Health and IDD, do hereby certify that this accompanying audit report for the Fiscal Year 2018 from Pattillo, Brown & Hill, L.L.P., was reviewed and approved at a meeting of the Board of Trustees held on the 23rd day of January 2019.



Chairperson, The Harris Center Board of Trustees

January 23, 2019

Date



Transforming Lives

Financial Services
9401 Southwest Freeway
Houston, TX 77074
713-970-7000 Office
713-970-7000 Fax

January 23, 2019

To the Citizens of Harris County and the Members of The Harris Center for Mental Health and IDD Board of Trustees:

We hereby issue the comprehensive annual financial report for The Harris Center for Mental Health and IDD (Center), formerly known as the Mental Health and Mental Retardation Authority of Harris County, for the fiscal year ended August 31, 2018. The report is published to provide the Board, consumers, family members, elected officials, and other interested parties with detailed information concerning our financial condition and activities of the organization. It is also required by our major funding sources: Texas Health and Human Services Commission, Harris County, as well as other federal, state and local grantors.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Center. We believe said data are accurate in all material respects; that they present fairly the financial position and results of operations of the Center as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an understanding of the Center's financial activity have been included.

Financial Report

The comprehensive annual financial report consists of four sections: introductory, financial, statistical and single audit. Particular attention is called to the section entitled Management Discussion and Analysis. It provides an objective and easily readable analysis of the Center's financial activities based on currently known facts.

The Center is required to undergo a single audit annually in accordance with the provisions of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the *State of Texas Single Audit Circular*. Information related to this single audit includes the Schedule of Expenditures of Federal and State Awards, Schedule of Findings and Questioned Costs, and the auditors' reports on the internal control structure and compliance with applicable laws and regulations and the auditors' report on the internal control structure and compliance of major programs.

Fiscal Year

The Center's fiscal year starts on September 1st of each year and ends on August 31st of the following year, consistent with the fiscal year observed by the State of Texas government.

Accounting Systems and Budgetary Controls

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

As a recipient of federal, state and local financial assistance, the Center is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations. This internal control structure is subject to periodic evaluation by management.

In addition, the Center maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Center's governing body. Activities of the General Fund are included in the annual budget. The level of budgetary control or the level at which expenditures cannot legally exceed the appropriated amount is established at the fund level. Budgetary control is maintained by account at the cost center level through monthly budget-to-actual variance reports.

Independent Audit

The Center's financial statements were audited by Pattillo, Brown & Hill, L.L.P., a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Center for the fiscal year ended August 31, 2018, are free of material misstatement. The independent audit involved examining, on test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the Center's financial statements for the fiscal year ended August 31, 2018, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the Financial Section of this report.

The independent audit of the financial statements of the Center was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on those requirements involving the administration of federal awards.

Business Profile

The Center is an agency of the State government providing Mental Health (MH) and Intellectual and Developmental Disability (IDD) services for the residents of Harris County. These services are designed for those persons who can be effectively treated in their own community and do not require long-term institutional care. To fulfill this objective, the Center seeks to provide as full a range of effective services and supports designed to provide care in the least restrictive manner, to the degree resources permit.

The Center was established by Harris County Commissioners Court in response to the passage of the Texas Mental Health and Mental Retardation Act of 1965. This act provided for the creation of local boards of trustees to develop and implement community-based mental health and intellectual and developmental disability services. The Center contracts with the Texas Department of State Health Services (DSHS) and the Texas Department of Aging and Disability Services (DADS), now consolidated with the Texas Health and Human Services Commission, to provide certain mental health and intellectual and developmental disability services for those residents who meet the State's eligibility criteria. Other services and supports are provided to eligible persons within the criteria established by a variety of federal, state, and local payors.

The first Board of Trustees for the Center was established by the Harris County Commissioners Court in 1965. As of August 31, 2018, the end of the fiscal year, the Board was composed of nine citizens who were appointed to serve two-year terms of office by the Commissioners Court. Members of the Center's Board of Trustees receive no salary or any other compensation for their work on the Board.

The Center is a separate entity under state law from Harris County and governed by an independent Board of Trustees, appointed by the Harris County Commissioners Court. There is oversight responsibility exercised by Harris County Commissioners Court, but the financial information of Harris County is not within the scope of the Center's reporting entity. For financial reporting purposes, and in conformance with generally accepted accounting principles, the Center is included as a component unit within the financial statements of Harris County because the County's Commissioners Court appoints the members of the Center's Board of Trustees and a significant financial burden will be incurred by the County in case the Center will discontinue its operations.

Under the Center's budgeting procedures, the Executive Director and Chief Financial Officer prepare a proposed budget for the fiscal year after consultation with division deputies and department heads and according to instructions of Texas Health and Human Services Commission (formerly DSHS and DADS) and other contract payors or grantors. The proposed budget, together with revenue estimates, is submitted to the Board of Trustees of the Center for consideration and approval.

Once the Board's approval is obtained, the budget is then submitted to the Texas HHSC for approval. After reviewing the budget, Texas HHSC either approves or directs the Center to make necessary changes and resubmit the budget. The annual budget process usually begins in May and is submitted to the Board of Trustees for consideration each year in July or August.

During the 78th Legislative Session, House Bill 2292 restructured the Texas Department of Mental Health and Mental Retardation (TDMHMR), along with the other health and human service agencies, and created five new agencies for Texas. All mental health components were moved under the purview of the Department of State Health Services (DSHS). All intellectual and developmental disability components were moved under the oversight of the Department of Aging and Disability Services (DADS).

During the 84th Legislative Session, Senate Bill 200, otherwise known as the Health and Human Services Commission sunset bill, ordered the consolidation of these various agencies to the mother commission. This consolidation process was completed in FY 2018.

For FY 2018, the Center had a contract with each of these two state agencies, HHSC/DSHS, a state agency created pursuant to Texas Health and Safety Code (THSC), Chapter 1001, and HHSC/DADS, a state agency created pursuant to Texas Human Resource Code (THRC), Chapter 161.

The administrative offices of the Center are located at 9401 Southwest Freeway, 12 miles southwest of downtown Houston, Texas. The Center has 25 offices located in Houston, including an emergency psychiatric clinic within the old Ben Taub Clinic Facility in the Texas Medical Center.

Economic and Political Milieu

The Center is designated as the Mental Health Authority and the Intellectual and Developmental Disabilities Authority for Harris County. It serves an area that is significantly influenced economically by the city of Houston and its immediate environs. This geographic area has a diverse employment base heavily dominated by the petrochemical industry, the largest conglomeration of hospitals, medical schools and research facilities in the country called the Texas Medical Center, and a host of universities and other institutions of learning. Recruitment of skilled individuals for professional and paraprofessional positions in the healthcare field continues to be a challenge as the Center is frequently unable to compete with the salaries offered by the medical centers, the universities, as well as the state, county and city governments.

The Center receives the majority of its funding through contracts with agencies of the State of Texas, grants, Medicaid, Medicare, and CHIP, in addition to major financial support from the Harris County Commissioners Court.

The Center does not receive annual increases from funding sources to fund salary adjustments for staff or other operating expense increases, such as insurance and utilities. Additional funding is oftentimes intended to underwrite the costs of new programs which State agencies may want to pursue. As a result, over the past several years, the Center continued to develop and refine its strategy and methodology to meet the mental health and intellectual and developmental disability contract requirements with existing and even at times decreasing funds.

Another issue that is exerting pressure on the finances of the Center, as is the case with many businesses, is the spiraling cost of health insurance premiums. As this cost continues to rise, the Center is forced to either use existing dollars to cover it or pass the increase on to employees. This is affecting employee recruitment and retention as more and more individuals are looking at fringe benefits when they are considering employment options.

The Center's use of the Patient Assistance Program/ Drug Sample Program continues to be extremely successful and has provided the Center consumers with "free" medications in excess of \$23 million in FY 2018. The Agency employs a dedicated team of staff who work with consumers to complete the paperwork required by the various pharmaceutical companies in order for them to obtain these free drugs. Without these programs, the Center will otherwise be forced to purchase these drugs.

Future Economic Factors and Next Year's Budgets and Rates

Because Fiscal year 2019 is the second year of the state legislative biennium, allocation from Texas HHSC will substantially remain the same as in the previous fiscal year.

In 2018, Harris County adjusted upwards its allocation to the Center by \$1.6 M to restore the previous level of funding. This took effect during the start of the County fiscal year, which is March 1, 2018.

Another major source of funding for the Center in the coming year is Medicaid Waiver 1115, which was authorized by the Centers for Medicare and Medicaid Services (CMS). The Center is currently pursuing 27 Delivery System Reform Incentive Payment (DSRIP) projects under this waiver which may potentially bring in a total of \$39M in valuation reimbursement in FY 2019.

As stated earlier, the Center is very reliant on the pharmaceutical companies' Patient Assistance Program for the delivery of required medications to its clients. Regrettably, the patents of many of these drugs are expiring soon and these medications will turn generic. It is therefore possible that when this happens, the pharmaceutical companies will discontinue the availability of these drugs under the program and the Center will have to purchase drugs for the use of its clients, as required under its performance contract with HHSC/DSHS. Again, PAP and sample drugs account for more than \$23M of cost per year.

Long-term Financial Planning

The Center has a number of projected major capital outlays in the foreseeable future. However, its funding agencies do not allocate funds for capital expenditures, and the Center has to eke out funds from operations or reserves to finance these much needed expenses. To this end therefore, each year, after the excess of revenues over expenditures is determined, it adopts a capital plan utilizing part of that excess to refurbish, repair or replace existing vehicles, furniture, equipment and computers, as well as repair and maintain existing structures, buildings and land improvements.

Acknowledgements

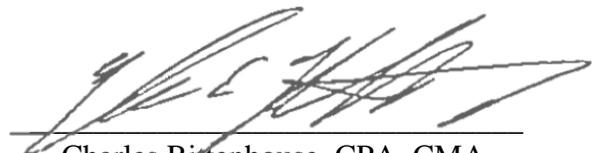
This report could not have been prepared without the exceptional dedication and professional competence of the Center's Financial Services Department. We express our appreciation to the staff of said department for their invaluable contribution to this effort.

We also recognize our Division Deputy Directors and their management teams and the Division Medical Directors and their medical staff for their day to day commitment to our consumers. Their dedicated service to the Center and to our consumers, enable us to meet our mission towards the citizens of Harris County.

We are also deeply grateful to the members of the Center's Board of Trustees for their devoted interest and steadfast support in maintaining the highest standards of professionalism and competence in the management of the Center, as well as the quality and effectiveness of the services and assistance provided to and for our consumers and their families. These reflect their deep commitment to this community, especially to those who are mentally and developmentally impaired.

Respectfully submitted,


Wayne Young, MDA, LPC, FACHE
Chief Executive Officer


Charles Rittenhouse, CPA, CMA
Interim Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**The Harris Center
for Mental Health and IDD
Texas**

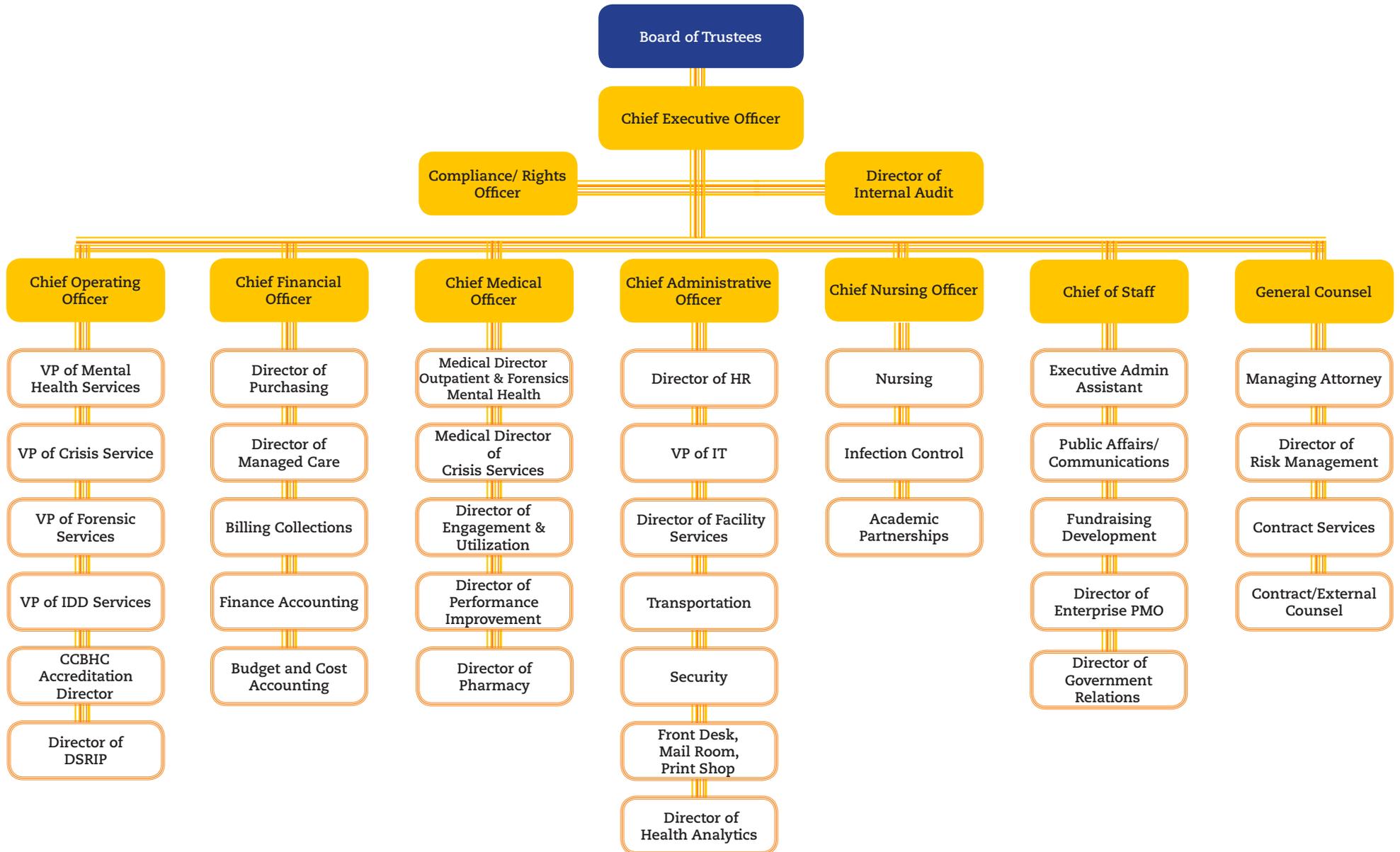
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2017

Christopher P. Morill

Executive Director/CEO

ORG CHART



FINANCIAL SECTION

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P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The Harris Center for Mental
Health and IDD

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of The Harris Center for Mental Health and IDD (the "Center"), a component unit of Harris County, Texas, as of and for the year ended August 31, 2018 (May 31, 2018 for Pasadena Cottages, Inc.), and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pasadena Cottages, Inc., Pecan Village, Inc., Villas at Bayou Park, Inc., Pear Grove, Inc., or Acres Homes Gardens, Inc., which represent 88 percent, 86 percent, and 49 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pasadena Cottages, Inc., Pecan Village, Inc., Villas at Bayou Park, Inc., Pear Grove, Inc., or Acres Homes Gardens, Inc., is based solely on the report of the other auditors. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Center, as of August 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Summarized Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. The source of the information was audited previously and the summarized comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended August 31, 2017, from which such summarized information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The other supplementary information and Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and Schedule of Expenditures of Federal and State Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our reported dated January 23, 2019, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 23, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Required Supplementary Information)

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Management's Discussion and Analysis

We present the readers the financial statements of The Harris Center for Mental Health and IDD (Center), formerly known as the Mental Health and Mental Retardation Authority of Harris County, along with this narrative overview and analysis of the financial activities for the fiscal year ended August 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the Center exceeded its liabilities at the close of FY 2018 by \$99,976,145 (net position). Of this amount, \$72,502,908 (unrestricted net position) may be used to meet the Center's ongoing obligations.
- The Center's total net position (government-wide) increased by \$21,070,484 during the year.
- The Center's governmental funds increased by \$22,050,364 resulting in an ending fund balance of \$76,010,980.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$49,951,732 or 21% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Center's basic financial statements. The Center's financial statements are composed of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Center's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Center's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Center is improving or deteriorating.

The *statement of activities* presents information showing how the Center's net position changed during the fiscal year. This statement includes all of the revenue and expenses generated by the Center's operations. The accrual basis of accounting is used, which is similar to the method used by most private-sector companies. 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.

The Statement of Net Position and the Statement of Activities include both the Center's basic services including programs for Adult Mental Health, Child and Adolescents Mental Health, Intellectual and Developmental Disabilities, Crisis Center, Community Hospital and General Administration. The Center does not have any business-type activities.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources which have been segregated for specific activities or objectives. The Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Center can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

The governmental fund statements provide a detailed short-term view of the Center's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Center's programs. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Center maintains one separate governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund.

The Center adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements are found on pages 15-21.

Proprietary Fund. The Center maintains an Internal Service Fund (Proprietary Fund) to account for certain self-insurance activities.

The internal service fund financial statements are found on pages 22-24.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of consumers. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Center's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 25 of this report.

Discretely Presented Component Units. The accompanying financial statements present the Center and its component units, entities for which the Center is considered to be financially accountable. The Center's six discretely presented component units are reported in one combined column in the Center's Statement of Net Position on page 12 to emphasize that they are legally separate from the Center. Combining government-wide financial statements are presented for the Center's six discretely presented component units on pages 26-29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 30 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information that is required by the Texas Health and Human Services Commission, OMB’s Uniform Guidance and the State of Texas Single Audit Circular. This supplementary information can be found following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The Center’s assets exceeded its liabilities by \$99,976,145 at the close of the fiscal year.

The largest portion of the Center’s net position (73 percent) represents the unrestricted financial resources available for future operations. This compares to last fiscal year’s unrestricted financial resources at 63 percent.

Another 27% reflects its investment in capital assets such as land, buildings, vehicles and electronic equipments, less any related debt that is still outstanding. The Center uses these assets to provide services to the consumers that we serve. Consequently, these assets are not available for future spending. Although the Center’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The following chart reflects a summary of net position as of August 31, 2018, with comparative figures for FY 2017:

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD’S NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 105,252,807	\$ 88,042,886
Non-current assets	<u>30,201,808</u>	<u>33,277,336</u>
Total assets	<u>135,454,615</u>	<u>121,320,222</u>
Current liabilities	28,371,478	33,243,847
Long-term liabilities outstanding	<u>7,106,992</u>	<u>9,170,714</u>
Total liabilities	<u>35,478,470</u>	<u>42,414,561</u>
Net position:		
Net investment in capital assets	27,473,237	29,457,336
Unrestricted	<u>72,502,908</u>	<u>49,448,325</u>
Total net position	<u>\$ 99,976,145</u>	<u>\$ 78,905,661</u>

The increase in net position was primarily due to revenues from Waiver 1115 DSRIP projects exceeding related expenses.

Governmental Activities

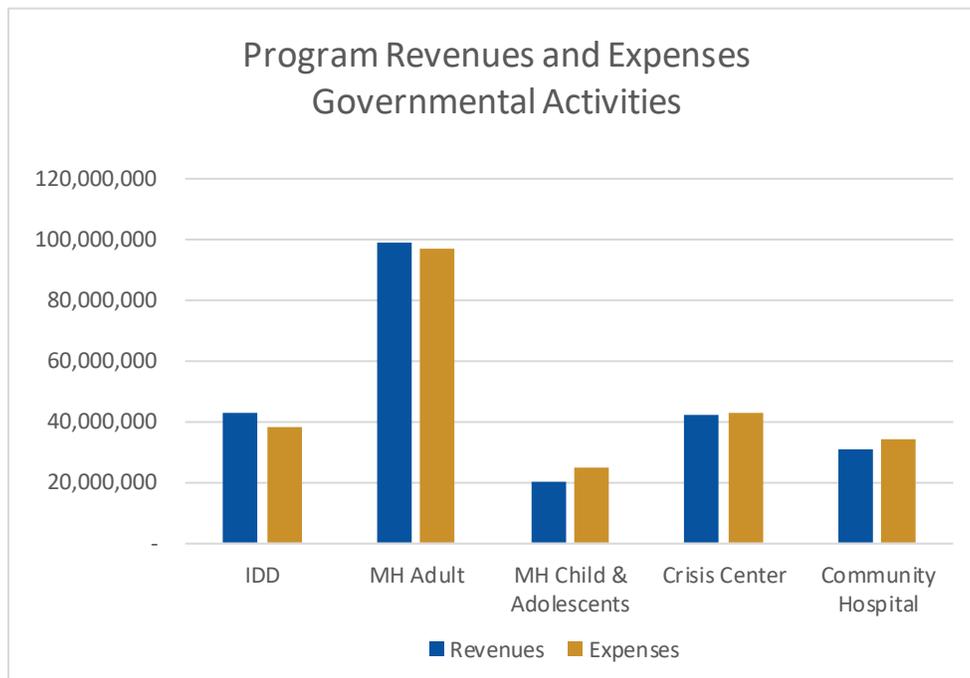
Revenues for the Center's governmental activities were \$258,192,854 while total expenses were \$237,122,368. The change in net position of governmental activities was \$21,070,484. The following table reflects a comparison of the governmental activities between FY 2018 and FY 2017:

	Governmental Activities	
	2018	2017
REVENUES		
Program revenues:		
Charges for services:		
Intellectual and Developmental Disabilities	\$ 20,397,087	\$ 20,601,454
Mental Health Adult	24,727,385	26,097,767
Mental Health Child and Adolescents	10,620,437	10,268,703
Crisis Center	<u>3,737,440</u>	<u>3,576,847</u>
Total charges for services	<u>59,482,349</u>	<u>60,544,771</u>
Operating grants and contributions:		
Intellectual and Developmental Disabilities	22,255,150	18,471,344
Mental Health Adult	73,946,212	68,611,457
Mental Health Child and Adolescents	9,763,025	11,778,343
Crisis Center	38,252,241	32,132,611
Community Hospital	<u>30,800,496</u>	<u>30,800,496</u>
Total operating grants and contributions	<u>175,017,124</u>	<u>161,794,251</u>
General revenues:		
Grants and contributions not restricted to specific programs - Harris County	18,874,878	17,660,928
Unrestricted investment earnings	936,214	446,138
Miscellaneous	277,879	334,602
Gain on sale of capital assets	<u>3,604,408</u>	<u>-</u>
Total general revenues	<u>23,693,379</u>	<u>18,441,668</u>
Total revenues	<u>258,192,852</u>	<u>240,780,690</u>
EXPENSES		
General administration	22,320,076	21,572,433
Intellectual and Developmental Disabilities	34,078,769	34,095,871
Mental Health Adult	86,228,565	84,335,615
Mental Health Child and Adolescents	21,912,641	21,085,272
Crisis Center	38,288,043	40,765,153
Community Hospital	34,215,576	34,900,020
Interest on long-term debt	<u>78,698</u>	<u>93,605</u>
Total expenses	<u>237,122,368</u>	<u>236,847,969</u>
SPECIAL ITEMS		
Impairment of intangible assets	<u>-</u>	<u>(6,153,216)</u>
Total special items	<u>-</u>	<u>(6,153,216)</u>
CHANGE IN NET POSITION	21,070,484	(2,220,495)
NET POSITION, BEGINNING	<u>78,905,661</u>	<u>81,126,156</u>
NET POSITION, ENDING	<u>\$ 99,976,145</u>	<u>\$ 78,905,661</u>

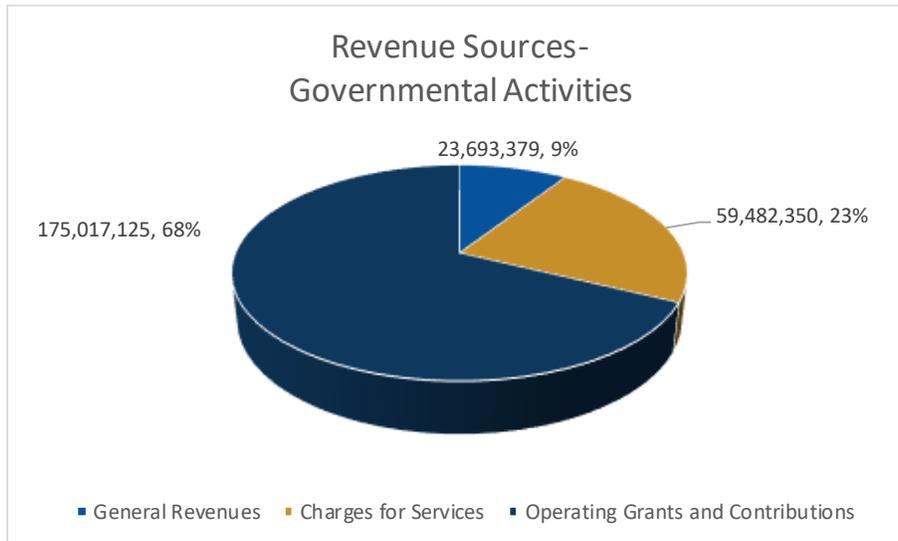
Total revenues increased between FY 2017 and FY 2018 mainly due to the increase in funding from HHSC/DSHS for the Mental Health Adult and Crisis programs, as well as additional funding from HHSC/DARS for the ECI program. Additional funding from Harris County also added about \$1.2M to revenues. Expenses slightly increased due to expanded services provided in the Mental Health Adult program.

The table and chart below present the net revenue (cost) of each of the Center’s programs: Adult Mental Health, Child and Adolescents Mental Health, Intellectual and Development Disabilities, Crisis Center and interest on long-term debt. The net revenue (cost) does not reflect the revenue generated through unrestricted grants and contributions and unrestricted investments.

	Net Cost of Services
Intellectual and Developmental Disabilities	\$ 4,359,579
Mental Health Adult	1,782,747
Mental Health Child and Adolescents	(4,238,709)
Crisis Center	(1,032,734)
Community Hospital	(3,415,080)
Interest on long-term debt	(78,698)
Total	<u>\$(2,622,895)</u>



The following chart depicts the major sources of revenues:



FINANCIAL ANALYSIS OF THE CENTER'S FUNDS

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

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

The General Fund is the chief operating fund of the Center. As the Center completed the year, its General Fund (as presented in the balance sheet on page 16) reported a fund balance of \$76,010,980. A large portion of this, or 66%, is labeled as unassigned fund balance. As a measure of the General Fund's liquidity, it may be useful to compare spendable (assigned and unassigned) fund balance to total fund expenditures. Spendable fund balance totals \$75,123,154 and represents 32% of total General Fund expenditures or the equivalent of 115 days.

An analysis of significant balances follows:

- Compared to the previous year, State grants and programs for FY 2018 increased by \$4,117,861 as a result of an increase in funding from HHSC/DSHS in the amount of \$4,109,647.
- Federal funds increased by \$9,767,144 compared to the prior year primarily due to an increase in Delivery System Reform Incentive Payments (DSRIP) revenues.
- In FY 2018, local billings decreased by \$1,919,695 and investment earnings increased by \$471,127.

Internal Service Fund. In FY 2018, the total assets of the Internal Service Fund, representing a self-insurance reserve fund, slightly inched up from \$2,179,851 in FY 2017 to \$2,211,778.

GENERAL FUND BUDGETARY HIGHLIGHTS

A number of amendments were made to the original budget during the year. The major ones include the decrease in projected revenue from HHSC by \$877,790, increase in Disaster Assistance by \$3,951,844, increase in Miscellaneous Revenue by \$4,319,142; and increase in Patient Assistance Program by \$1,500,000. Ultimately, general revenue from HHSC materialized at only \$104,421,571 resulting in a negative variance compared to the final budget by \$2,522,223. Disaster Assistance, however, yielded an actual revenue of \$3,332,596; Delivery System Reform Incentive Payments of \$48,372,621; miscellaneous revenues of \$5,708,597; and Patient Assistance Program of \$23,753,638.

On expenditures, personnel costs fell below the budget as a number of vacant positions were not filled during the year. The budget for contracts with service agencies and professional fees was decreased by \$126,617 but actual figures fell further to \$49,853,888. Other Expenses was also scaled down by \$325,480 but spiked higher to \$3,962,906 at actual. Capital outlay posted close to the original budget at \$2,100,879.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Center's investment in capital assets as of August 2018, amounts to \$30,201,808 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, and vehicles.

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD CAPITAL ASSETS (Net of Depreciation)

Major changes in capital assets during the fiscal year included the following:

	Governmental Activities		
	2018	2017	Increase (Decrease)
Land	\$ 5,229,661	\$ 6,023,410	\$ (793,749)
Buildings & improvements	23,122,062	24,629,537	(1,507,475)
Furniture & equipment	1,495,064	2,122,314	(627,250)
Vehicles	355,021	502,075	(147,054)
Total capital assets	<u>\$ 30,201,808</u>	<u>\$ 33,277,336</u>	<u>\$ (3,075,528)</u>

Additional information on the Center's capital assets can be found in Note 6 of the basic financial statements.

Long-term debt. At the end of the fiscal year, the Center had total outstanding long-term debt of \$8,448,421. A more extensive discussion about long-term debt is provided in the Notes to the Basic Financial Statements: Note 7 - Long-Term Liabilities.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of The Harris Center for Mental Health and IDD and its accountability for the money received. Should you have any questions about this report or need additional financial information, please contact the Chief Financial Officer, The Harris Center for Mental Health and IDD, Texas, P.O. Box 25381, Houston, Texas 77265-5381.

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
STATEMENT OF NET POSITION
August 31, 2018 and 2017

	<u>2018</u>		<u>2017</u>	
	Primary Government- Governmental Activities	Component Units	Primary Government- Governmental Activities	Component Units
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,922,577	\$ 385,366	\$ 31,386,613	\$ 1,032,998
Investments	82,238,695	560,439	36,011,166	399,297
Accounts receivable, net	19,203,709	23,626	19,579,114	1,404
Inventories	235,526	-	233,710	-
Deposits	3,290	-	103,290	-
Prepaid expenses	649,010	17,512	728,993	17,820
Other assets	-	16,768	-	8,336
Total current assets	<u>105,252,807</u>	<u>1,003,711</u>	<u>88,042,886</u>	<u>1,459,855</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	353,127	-	351,984
Land	5,229,661	-	6,023,411	-
All other capital assets, net	24,972,147	5,308,291	27,253,925	5,475,781
Total noncurrent assets	<u>30,201,808</u>	<u>5,661,418</u>	<u>33,277,336</u>	<u>5,827,765</u>
Total assets	<u>135,454,615</u>	<u>6,665,129</u>	<u>121,320,222</u>	<u>7,287,620</u>
Liabilities				
Current liabilities:				
Accounts payable	6,026,367	613,631	4,568,442	949,400
Accrued liabilities	6,461,358	14,280	14,861,196	16,913
Unearned revenue	14,542,324	-	12,472,781	-
Current portion of long-term obligations	1,341,429	58,965	1,341,429	67,410
Total current liabilities	<u>28,371,478</u>	<u>686,876</u>	<u>33,243,848</u>	<u>1,033,723</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	7,106,992	395,615	9,170,713	410,850
Total liabilities	<u>35,478,470</u>	<u>1,082,491</u>	<u>42,414,561</u>	<u>1,444,573</u>
Net Position:				
Net investment in capital assets	27,473,237	4,853,711	29,457,336	4,997,521
Unrestricted	72,502,908	728,927	49,448,325	845,526
Total net position	<u>99,976,145</u>	<u>5,582,638</u>	<u>78,905,661</u>	<u>5,843,047</u>
Total liabilities and net position	<u>\$ 135,454,615</u>	<u>\$ 6,665,129</u>	<u>\$ 121,320,222</u>	<u>\$ 7,287,620</u>

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

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THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total Governmental Activities</u>	<u>Component Units</u>
Primary government:						
Governmental activities:						
General Administration	\$ 22,320,076	\$(22,320,076)	\$ -	\$ -	\$ -	\$ -
Adult Mental Health	86,228,565	10,662,285	24,727,385	73,946,212	1,782,747	-
Intellectual & Developmental Disabilities	34,078,769	4,213,889	20,397,087	22,255,150	4,359,579	-
Child and Adolescent	21,912,641	2,709,530	10,620,437	9,763,025	(4,238,709)	-
Crisis Center	38,288,043	4,734,372	3,737,440	38,252,241	(1,032,734)	-
Community Hospital (payment to HCPC)	34,215,576	-	-	30,800,496	(3,415,080)	-
Interest on long-term debt	78,698	-	-	-	(78,698)	-
Total governmental activities	<u>237,122,368</u>	<u>-</u>	<u>59,482,350</u>	<u>175,017,125</u>	<u>(2,622,895)</u>	<u>-</u>
Component units:						
HUD Programs	706,614		449,842	-		(256,772)
Fund raising activities	471,899		-	461,260		(10,639)
Total component units	<u>\$ 1,178,513</u>		<u>\$ 449,842</u>	<u>\$ 461,260</u>		<u>(267,411)</u>
General revenues:						
Grants and contributions not restricted to specific programs - Harris County					18,874,878	-
Unrestricted investment earnings					936,214	7,002
Miscellaneous					277,879	-
Gain on sale of capital assets					3,604,408	-
Total general revenues					<u>23,693,379</u>	<u>7,002</u>
Change in net position					21,070,484	(260,409)
Net position - beginning					78,905,661	5,843,047
Net position - ending					<u>\$ 99,976,145</u>	<u>\$ 5,582,638</u>

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

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THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total Governmental Activities</u>	<u>Component Units</u>
Primary government:						
Governmental activities:						
General Administration	\$ 21,572,433	\$(21,572,433)	\$ -	\$ -	\$ -	\$ -
Adult Mental Health	84,335,615	10,091,553	26,097,767	68,611,457	282,056	-
Intellectual & Developmental Disabilities	34,095,871	4,079,893	20,601,454	18,471,344	897,034	-
Child and Adolescent	21,085,272	2,523,052	10,268,703	11,778,343	(1,561,278)	-
Crisis Center	40,765,153	4,877,935	3,576,847	32,132,611	(9,933,630)	-
Community Hospital (payment to HCPC)	34,900,020	-	-	30,800,496	(4,099,524)	-
Interest on long-term debt	93,605	-	-	-	(93,605)	-
Total governmental activities	<u>236,847,969</u>	<u>-</u>	<u>60,544,771</u>	<u>161,794,251</u>	<u>(14,508,947)</u>	<u>-</u>
Component units:						
HUD Programs	620,874		469,837	-		(151,037)
Fund raising activities	29,654		-	45,745		12,481
Total component units	<u>\$ 650,528</u>		<u>\$ 469,837</u>	<u>\$ 45,745</u>		<u>(138,556)</u>
General revenues:						
Grants and contributions not restricted to specific programs - Harris County					17,660,928	-
Unrestricted investment earnings					446,138	5,728
Miscellaneous					334,602	-
Gain on sale of capital assets					44,862	-
Special item - impairment of intangible asset					<u>(6,198,078)</u>	<u>-</u>
Total general revenues and special items					<u>12,288,452</u>	<u>5,728</u>
Change in net position					(2,220,495)	(132,828)
Net position - beginning					<u>81,126,156</u>	<u>5,975,875</u>
Net position - ending					<u>\$ 78,905,661</u>	<u>\$ 5,843,047</u>

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
BALANCE SHEET
GOVERNMENTAL FUND
August 31, 2018 and 2017

	General Fund	
	2018	2017
Assets		
Cash and cash equivalents	\$ 2,922,577	\$ 31,386,613
Investments	80,026,917	33,831,315
Accounts receivable (net of allowance for uncollectibles)	2,288,886	2,022,926
Receivables from other governments	11,061,050	11,350,774
Other receivables	5,853,773	6,205,414
Inventories	235,526	233,710
Deposits	3,290	103,290
Prepaid items	649,010	728,993
Total assets	103,041,029	85,863,035
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	6,026,367	4,568,442
Accrued liabilities	6,461,358	14,861,196
Unearned revenue	14,542,324	12,472,781
Total liabilities	27,030,049	31,902,419
Fund balances:		
Nonspendable:		
Inventories	235,526	233,710
Prepaid items	649,010	728,993
Deposits	3,290	103,290
Assigned:		
Delivery System Reform Incentive Projects	14,226,265	3,895,406
Infrastructure development	121,846	204,866
Self insurance	2,000,000	2,000,000
Debt repayment	2,728,571	3,820,000
Compensated absences	5,719,850	6,692,142
Other purposes	374,890	426,944
Unassigned	49,951,732	35,855,265
Total fund balance	76,010,980	53,960,616
Total liabilities and fund balance	\$ 103,041,029	\$ 85,863,035

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
RECONCILIATION OF THE FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
August 31, 2018 and 2017

	2018	2017
Total Fund Balance	\$ 76,010,980	\$ 53,960,616
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
An internal service fund is used by management to charge the costs of certain self-insurance activities to the general fund. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	2,211,778	2,179,851
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund.	30,201,808	33,277,336
Long-term liabilities, current and long-term, are not due and payable with current financial resources and therefore, are not reported in the fund.	(8,448,421)	(10,512,142)
Net position of governmental activities	\$ 99,976,145	\$ 78,905,661

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Years Ended August 31, 2018 and 2017

	General Fund	
	2018	2017
Revenues		
State grants & programs	\$ 109,389,867	\$ 105,272,006
Federal grants	69,494,638	59,727,494
Harris County allocation	36,375,537	34,924,970
Local billings	35,309,368	37,229,063
Investment earnings	904,288	433,101
Miscellaneous	3,082,818	3,181,019
Total revenues	254,556,516	240,767,653
Expenditures		
Current:		
Adult Mental Health	85,614,151	84,054,075
Intellectual & Developmental Disabilities	33,710,989	33,728,843
Child and Adolescent	21,732,601	20,904,113
Crisis Center	37,897,881	40,371,138
Community Hospital (payment to HCPC)	34,215,576	34,900,020
General Administration	23,926,772	20,871,626
Debt service:		
Principal	1,091,429	1,091,429
Interest and other charges	78,698	93,605
Total expenditures	238,268,097	236,014,849
Excess of revenues over expenditures	16,288,419	4,752,804
Other Financing Sources		
Sale of capital assets	5,761,945	44,862
Total other financing sources	5,761,945	44,862
Net change in fund balance	22,050,364	4,797,666
Fund balances - beginning	53,960,616	49,162,950
Fund balances - ending	\$ 76,010,980	\$ 53,960,616

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Years Ended August 31, 2018 and 2017

	2018	2017
Net change in fund balance - governmental fund	\$ 22,050,364	\$ 4,797,666
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(917,991)	(1,805,930)
In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets disposed.	(2,157,537)	(6,198,078)
The internal service fund is used by management to charge the costs of self-insurance to the general fund. The net revenue of certain activities of the internal service fund is reported with governmental activities.	31,927	13,037
The issuance of long-term debt (e.g., notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the repayment of the principal of long-term debt during the fiscal year.	1,091,429	1,091,429
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount is the net change in accrued compensated absences in the government-wide financial statements during the current fiscal year.	<u>972,292</u>	<u>(118,619)</u>
Change in net position of governmental activities	<u>\$ 21,070,484</u>	<u>\$(2,220,495)</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
For the Year Ended August 31, 2018

	Budget		Actual (Budgetary basis)	Variance Positive/ (Negative)
	Original	Final		
State Program Revenues				
General Revenue	\$ 107,821,584	\$ 106,943,794	\$ 104,421,571	\$(2,522,223)
Early Childhood Intervention	977,834	977,834	888,044	(89,790)
Services to Children with Autism	550,000	550,000	440,666	(109,334)
Texas Council on Offenders with Mental Impairments	3,292,463	3,125,582	3,193,586	68,004
Texas Department of Criminal Justice- Parole and Substance Abuse	446,000	446,000	446,000	-
Total state program revenues	<u>113,087,881</u>	<u>112,043,210</u>	<u>109,389,867</u>	<u>(2,653,343)</u>
Federal Program Revenues				
Mental Health Block Grant	3,081,804	3,081,804	3,143,830	62,026
Mental Health Block Grant - CSC	916,668	916,668	708,037	(208,631)
Social Services Block Grant (Title XX)	632,375	626,452	610,679	(15,773)
Disaster Assistance	-	3,951,844	3,332,596	(619,248)
TANF to Title XX Block Grant	1,499,692	1,499,692	1,004,790	(494,902)
MH Block Homeless PATH Grant	1,130,299	1,130,299	1,059,278	(71,021)
Substance Abuse Prevention & Treatment Block Grant	777,260	843,151	784,763	(58,388)
Delivery System Reform Incentive Payments	33,755,377	33,823,540	48,372,621	14,549,081
Administrative Claiming	5,699,642	5,762,884	7,265,833	1,502,949
Early Childhood Intervention	2,923,160	2,923,160	2,654,740	(268,420)
Transitional Housing Program-Safe Havens	371,739	371,739	216,846	(154,893)
Enhanced Community Coordination	287,373	346,958	340,625	(6,333)
Total federal program revenues	<u>51,075,389</u>	<u>55,278,191</u>	<u>69,494,638</u>	<u>14,216,447</u>
Local Revenues				
County funds	37,289,077	37,899,005	36,375,537	(1,523,468)
Local Billings:				
Patient fees and private insurance	985,177	985,177	974,954	(10,223)
Medicare	1,167,636	1,167,636	1,131,729	(35,907)
Medicaid	26,155,870	26,259,882	25,761,694	(498,188)
ICF/MR, HCS and THL waiver	3,858,530	3,994,185	4,302,975	308,790
Administrative claiming	401,821	406,280	512,237	105,957
Total local billings	<u>32,569,034</u>	<u>32,813,160</u>	<u>32,683,589</u>	<u>(129,571)</u>
Investment earnings	411,000	411,000	904,288	493,288
Miscellaneous	7,843,432	12,162,574	5,708,597	(6,453,977)
Total Revenues before Patient Assistance Program	<u>242,275,813</u>	<u>250,607,140</u>	<u>254,556,516</u>	<u>3,949,376</u>
Patient Assistance Program	27,453,238	25,953,238	23,753,638	(2,199,600)
Total Revenues	<u>\$ 269,729,051</u>	<u>\$ 276,560,378</u>	<u>\$ 278,310,154</u>	<u>\$ 1,749,776</u>

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
BUDGETARY COMPARISON STATEMENT (Continued)
GENERAL FUND
For the Year Ended August 31, 2018

	<u>Budget</u>		Actual (Budgetary basis)	Variance Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current:				
Personnel	\$ 171,681,280	\$ 169,005,865	\$ 164,801,339	\$(4,204,526)
Contracts with service agencies and professional fees	52,136,668	52,010,051	49,853,888	(2,156,163)
Drug costs and other supplies	3,773,469	3,677,135	3,346,166	(330,969)
Rental	576,092	804,239	853,614	49,375
Repairs and maintenance	8,811,292	5,777,205	5,952,723	175,518
Travel	3,810,015	2,781,615	3,056,125	274,510
Security services	864,459	778,759	853,943	75,184
Utilities	2,669,904	2,689,722	2,316,387	(373,335)
Other	3,047,897	2,722,417	3,962,904	1,240,487
Debt service:				-
Principal	1,091,430	1,183,737	1,091,430	(92,307)
Interest and other charges	78,699	92,308	78,699	(13,609)
Capital outlay	<u>2,149,976</u>	<u>817,571</u>	<u>2,100,879</u>	<u>1,283,308</u>
Total expenditures before Patient Assistance Program	250,691,181	242,340,624	238,268,097	(4,072,527)
Expenditures - Patient Assistance Program	<u>25,953,238</u>	<u>27,453,238</u>	<u>23,753,638</u>	<u>(3,699,600)</u>
Total expenditures	<u>276,644,419</u>	<u>269,793,862</u>	<u>262,021,735</u>	<u>(7,772,127)</u>
Excess of revenues over expenditures	(6,915,368)	6,766,516	16,288,419	9,521,903
Other Financing Sources				
Sale of capital assets	-	-	5,761,945	5,761,945
	-	-	5,761,945	5,761,945
Excess of revenues and other financing sources over expenditures	<u>\$(6,915,368)</u>	<u>\$ 6,766,516</u>	<u>\$ 22,050,364</u>	<u>\$ 15,283,848</u>

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
BUDGETARY COMPARISON STATEMENT
BUDGET-TO-GAAP RECONCILIATION - GENERAL FUND
For The Year Ended August 31, 2018

Sources / Inflows of Resources

Total revenue as per Budgetary Comparison Statement \$ 278,310,154

Differences - budget to GAAP:

The value of drugs received by patients from the Patient Assistance Program (PAP) are budgetary resources, but are not reported as revenues under GAAP. (23,753,638)

**Total revenue as per Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds** \$ 254,556,516

Uses / Outflows of Resources

Total expenditures as per Budgetary Comparison Statement \$ 262,021,735

Differences - budget-to-GAAP:

The value of drugs provided under the Patient Assistance Program (PAP) are outflows of budgetary resources, but are not recorded as expenditure under GAAP. (23,753,638)

**Total expenditures as per Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds** \$ 238,268,097

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
STATEMENT OF NET POSITION
PROPRIETARY FUND
August 31, 2018 and 2017

	Governmental Activities - Internal Service Fund	
	Self- Insurance Reserve Fund (SIRF)	
	2018	2017
Assets		
Current Assets:		
Investments	\$ 2,211,778	\$ 2,179,851
Total assets	2,211,778	2,179,851
 Net Position:		
Unrestricted	\$ 2,211,778	\$ 2,179,851

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Years Ended August 31, 2018 and 2017

	Governmental Activities - Internal Service Fund	
	Self- Insurance Reserve Fund	
	2018	2017
Operating revenue	\$ -	\$ -
Non-operating revenue		
Interest	31,927	13,037
Total non-operating revenue	31,927	13,037
Change in net position	31,927	13,037
Net position - beginning of the year	2,179,851	2,166,814
Net position - end of the year	\$ 2,211,778	\$ 2,179,851

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Years Ended August 31, 2018 and 2017

	Governmental Activities - Internal Service Fund	
	Self- Insurance Reserve Fund	
	2018	2017
Cash flows from investing activities:		
Interest received	\$ 31,927	\$ 13,037
Net cash provided by investing activities	<u>31,927</u>	<u>13,037</u>
Net increase in cash and cash equivalents	31,927	13,037
Total cash and cash equivalents, beginning of year	<u>2,179,851</u>	<u>2,166,814</u>
Total cash and cash equivalents, end of year	<u>\$ 2,211,778</u>	<u>\$ 2,179,851</u>

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ <u>22,178</u>	\$ <u>21,109</u>
Liabilities		
Due to clients	\$ <u>22,178</u>	\$ <u>21,109</u>

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS

August 31, 2018

	Pasadena Cottages, Inc. May 31, 2018	Pecan Village, Inc. August 31, 2018	Villas at Bayou Park, Inc. August 31, 2018	Pear Grove, Inc. August 31, 2018	Acres Homes Garden, Inc. August 31, 2018	Friends of MHMRA August 31, 2018	Total
Assets							
Current assets:							
Cash and cash equivalents	\$ 25,950	\$ 35,948	\$ 16,504	\$ 40,909	\$ 3,038	\$ 263,017	\$ 385,366
Investments	-	-	-	-	-	560,439	560,439
Accounts receivable	-	2,638	-	12,341	-	8,647	23,626
Prepaid expenses	3,502	6,306	2,806	4,276	622	-	17,512
Other assets	26	9,568	3,459	3,715	-	-	16,768
Total current assets	<u>29,478</u>	<u>54,460</u>	<u>22,769</u>	<u>61,241</u>	<u>3,660</u>	<u>832,103</u>	<u>1,003,711</u>
Noncurrent assets:							
Restricted cash and cash equivalents	26,983	119,943	75,151	85,583	45,467	-	353,127
Capital assets, net	176,430	682,242	1,529,726	1,300,327	1,619,566	-	5,308,291
Total noncurrent assets	<u>203,413</u>	<u>802,185</u>	<u>1,604,877</u>	<u>1,385,910</u>	<u>1,665,033</u>	<u>-</u>	<u>5,661,418</u>
Total assets	<u>\$ 232,891</u>	<u>\$ 856,645</u>	<u>\$ 1,627,646</u>	<u>\$ 1,447,151</u>	<u>\$ 1,668,693</u>	<u>\$ 832,103</u>	<u>\$ 6,665,129</u>
Liabilities							
Current liabilities:							
Accounts payable	\$ 40,086	\$ 94,700	\$ 154,206	\$ 208,621	\$ 86,705	\$ 29,313	\$ 613,631
Accrued interest payable	1,881	-	-	-	-	-	1,881
Deposits payable	-	4,271	3,445	1,947	2,736	-	12,399
Current portion of long-term obligations	15,234	-	-	43,731	-	-	58,965
Total current liabilities	<u>57,201</u>	<u>98,971</u>	<u>157,651</u>	<u>254,299</u>	<u>89,441</u>	<u>29,313</u>	<u>686,876</u>
Noncurrent liabilities:							
Noncurrent portion of long-term obligations	235,615	-	90,000	70,000	-	-	395,615
Total liabilities	<u>292,816</u>	<u>98,971</u>	<u>247,651</u>	<u>324,299</u>	<u>89,441</u>	<u>29,313</u>	<u>1,082,491</u>
Net Position:							
Net investment (deficit) in capital assets	(74,419)	682,242	1,439,726	1,186,596	1,619,566	-	4,853,711
Unrestricted	14,494	75,432	(59,731)	(63,744)	(40,314)	802,790	728,927
Total net position	<u>(59,925)</u>	<u>757,674</u>	<u>1,379,995</u>	<u>1,122,852</u>	<u>1,579,252</u>	<u>802,790</u>	<u>5,582,638</u>
Total liabilities and net position	<u>\$ 232,891</u>	<u>\$ 856,645</u>	<u>\$ 1,627,646</u>	<u>\$ 1,447,151</u>	<u>\$ 1,668,693</u>	<u>\$ 832,103</u>	<u>\$ 6,665,129</u>

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
August 31, 2017

	<u>Pasadena Cottages, Inc. May 31, 2017</u>	<u>Pecan Village, Inc. August 31, 2017</u>	<u>Villas at Bayou Park, Inc. August 31, 2017</u>	<u>Pear Grove, Inc. August 31, 2017</u>	<u>Acres Homes Garden, Inc. August 31, 2017</u>	<u>Friends of MHMRA August 31, 2017</u>	<u>Total</u>
Assets							
Current assets:							
Cash and cash equivalents	\$ 7,432	\$ 54,409	\$ 28,851	\$ 124,012	\$ 13,708	\$ 1,203,883	\$ 1,432,295
Accounts receivable	1,404	-	-	-	-	-	1,404
Prepaid expenses	3,202	9,641	2,706	1,489	782	-	17,820
Other assets	-	7,735	-	601	-	-	8,336
Total current assets	<u>12,038</u>	<u>71,785</u>	<u>31,557</u>	<u>126,102</u>	<u>14,490</u>	<u>1,203,883</u>	<u>1,459,855</u>
Noncurrent assets:							
Restricted cash and cash equivalents	24,280	105,247	75,282	86,892	60,283	-	351,984
Capital assets, net	188,447	711,967	1,575,121	1,331,971	1,668,275	-	5,475,781
Total noncurrent assets	<u>212,727</u>	<u>817,214</u>	<u>1,650,403</u>	<u>1,418,863</u>	<u>1,728,558</u>	<u>-</u>	<u>5,827,765</u>
Total assets	<u>\$ 224,765</u>	<u>\$ 888,999</u>	<u>\$ 1,681,960</u>	<u>\$ 1,544,965</u>	<u>\$ 1,743,048</u>	<u>\$ 1,203,883</u>	<u>\$ 7,287,620</u>
Liabilities							
Current liabilities:							
Accounts payable	\$ 31,062	\$ 84,747	\$ 153,219	\$ 200,467	\$ 82,952	\$ 396,953	\$ 949,400
Accrued interest payable	1,986	-	-	-	-	-	1,986
Deposits payable	-	5,611	3,506	3,060	2,750	-	14,927
Current portion of long-term obligations	13,927	9,752	-	43,731	-	-	67,410
Total current liabilities	<u>46,975</u>	<u>100,110</u>	<u>156,725</u>	<u>247,258</u>	<u>85,702</u>	<u>396,953</u>	<u>1,033,723</u>
Noncurrent liabilities:							
Noncurrent portion of long-term obligations	250,850	-	90,000	70,000	-	-	410,850
Total liabilities	<u>297,825</u>	<u>100,110</u>	<u>246,725</u>	<u>317,258</u>	<u>85,702</u>	<u>396,953</u>	<u>1,444,573</u>
Net Position:							
Net investment (deficit) in capital assets	(76,330)	702,215	1,485,121	1,218,240	1,668,275	-	4,997,521
Unrestricted	3,270	86,674	(49,886)	9,467	(10,929)	806,930	845,526
Total net position	<u>(73,060)</u>	<u>788,889</u>	<u>1,435,235</u>	<u>1,227,707</u>	<u>1,657,346</u>	<u>806,930</u>	<u>5,843,047</u>
Total liabilities and net position	<u>\$ 224,765</u>	<u>\$ 888,999</u>	<u>\$ 1,681,960</u>	<u>\$ 1,544,965</u>	<u>\$ 1,743,048</u>	<u>\$ 1,203,883</u>	<u>\$ 7,287,620</u>

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended August 31, 2018 *

	Program Revenues			Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions	Pasadena Cottages, Inc	Pecan Village, Inc.	Villas at Bayou Park, Inc,	Pear Grove, Inc.	Acres Homes Garden, Inc.	Friends of MHMRA	Totals
Pasadena Cottages, Inc.										
HUD Section 811 program	\$ 113,073	\$ 149,340	\$ -	\$ 36,267						\$ 36,267
Interest on long-term debt	23,160	-	-	(23,160)						(23,160)
Total -Pasadena Cottage, Inc.	136,233	149,340	-	13,107						13,107
Pecan Village, Inc.										
HUD Section 811 program	129,901	98,608	-		(31,293)					(31,293)
Villas at Bayou Park, Inc.										
HUD Section 811 program	129,242	73,916	-			(55,326)				(55,326)
Pear Grove, Inc.										
HUD Section 811 program	172,901	67,838	-				(105,063)			(105,063)
Acres Homes Garden, Inc.										
HUD Section 811 program	138,337	60,140	-					(78,197)		(78,197)
Friends of MHMRA										
Fund raising activities	471,899	-	461,260						(10,639)	(10,639)
Total component units	<u>\$ 1,178,513</u>	<u>\$ 449,842</u>	<u>\$ 461,260</u>							<u>(267,411)</u>
General revenues:										
Unrestricted investment earnings				28	78	86	208	103	6,499	7,002
Total general revenues				<u>28</u>	<u>78</u>	<u>86</u>	<u>208</u>	<u>103</u>	<u>6,499</u>	<u>7,002</u>
Change in net position				13,135	(31,215)	(55,240)	(104,855)	(78,094)	(4,140)	(260,409)
Net position - beginning of year				<u>(73,060)</u>	<u>788,889</u>	<u>1,435,235</u>	<u>1,227,707</u>	<u>1,657,346</u>	<u>806,930</u>	<u>5,843,047</u>
Net position - ending				<u>\$(59,925)</u>	<u>\$ 757,674</u>	<u>\$ 1,379,995</u>	<u>\$ 1,122,852</u>	<u>\$ 1,579,252</u>	<u>\$ 802,790</u>	<u>\$ 5,582,638</u>

* Pasadena Cottages, Inc. is reported for the year ended May 31, 2018.

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended August 31, 2017 *

	Program Revenues			Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions	Pasadena Cottages, Inc.	Pecan Village, Inc.	Villas at Bayou Park, Inc.	Pear Grove, Inc.	Acres Homes Garden, Inc.	Friends of MHMRA	Totals
Pasadena Cottages, Inc.										
HUD Section 811 program	\$ 114,056	\$ 148,524	\$ -	\$ 34,468						\$ 34,468
Interest on long-term debt	24,364	-	-	(24,364)						(24,364)
Total -Pasadena Cottage, Inc.	<u>138,420</u>	<u>148,524</u>	<u>-</u>	<u>10,104</u>						<u>10,104</u>
Pecan Village, Inc.										
HUD Section 811 program	122,518	106,070	-		(16,448)					(16,448)
Villas at Bayou Park, Inc.										
HUD Section 811 program	117,325	74,630	-			(42,695)				(42,695)
Pear Grove, Inc.										
HUD Section 811 program	126,633	70,008	-				(56,625)			(56,625)
Acres Homes Garden, Inc.										
HUD Section 811 program	115,978	70,605	-					(45,373)		(45,373)
Friends of MHMRA										
Fund raising activities	<u>29,654</u>		<u>42,135</u>						12,481	<u>12,481</u>
Total component units	<u>\$ 650,528</u>	<u>\$ 469,837</u>	<u>\$ 42,135</u>							<u>(138,556)</u>
General revenues:										
Unrestricted investment earnings				-	76	79	201	8	5,364	5,728
Total general revenues				<u>-</u>	<u>76</u>	<u>79</u>	<u>201</u>	<u>8</u>	<u>5,364</u>	<u>5,728</u>
Change in net position				10,104	(16,372)	(42,616)	(56,424)	(45,365)	17,845	(132,828)
Net position - beginning of year				<u>(83,164)</u>	<u>805,261</u>	<u>1,477,851</u>	<u>1,284,131</u>	<u>1,702,711</u>	<u>789,085</u>	<u>5,975,875</u>
Net position - ending				<u>\$(73,060)</u>	<u>\$ 788,889</u>	<u>\$ 1,435,235</u>	<u>\$ 1,227,707</u>	<u>\$ 1,657,346</u>	<u>\$ 806,930</u>	<u>\$ 5,843,047</u>

* Pasadena Cottages, Inc. is reported for the year ended May 31, 2017.

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

NOTES TO THE BASIC FINANCIAL STATEMENTS

AUGUST 31, 2018

1. REPORTING ENTITY – BASIS OF PRESENTATION

Primary Government

The Harris Center for Mental Health and IDD (the “Center”) was the name adopted by the Board of Trustees of the organization which was formerly known as the Mental Health and Mental Retardation Authority of Harris County when it renamed the entity during its meeting on February 24, 2015. The Center is a public agency that was established as a result of the Texas Mental Health and Mental Retardation Act of 1965. This Act provided for the creation of local boards of trustees to develop and implement community-based mental health and mental retardation services. The Center is governed by a Board of Trustees appointed by the Commissioners Court of Harris County (the “County”). The County has the ability to appoint and remove the members of the governing Board of Trustees of the Center. For financial reporting purposes, the Center is considered a component unit of the County.

The accompanying financial statements present the Center’s primary government and component units, entities for which the Center is considered to be financially accountable.

Component Units

Pasadena Cottages, Inc., a Texas non-profit corporation (“Pasadena”) was organized in 1992 to purchase and maintain property for residential programs for individuals with intellectual and developmental disabilities (IDD). The Center’s Board of Trustees appoints the Board of Trustees of Pasadena and has the ability to remove Trustees; thus, the Center is financially accountable for Pasadena. Accordingly, Pasadena has been included in the Center’s basic financial statements as a discretely presented component unit.

Pecan Village, Inc., a Texas non-profit corporation (“Pecan Village”) was organized in 2000 to provide homes for persons with mental illness by acquiring and managing residential property under the Department of Housing and Urban Development (HUD) Section 811 grant. The Center’s Board of Trustees appoints the Board of Trustees of Pecan Village and has the ability to remove Trustees; thus, the Center is financially accountable for Pecan Village. Accordingly, Pecan Village has been included in the Center’s basic financial statements as a discretely presented component unit.

Villas at Bayou Park, Inc., a Texas non-profit corporation (“Villas at Bayou”) was organized in 2001 to provide homes for persons with mental illness by acquiring and managing residential property under the Department of Housing and Urban Development (HUD) Section 811 grant. The Center’s Board of Trustees appoints the Board of Directors of Villas at Bayou and has the ability to remove Directors; thus, the Center is financially accountable for Villas at Bayou. Accordingly, Villas at Bayou has been included in the Center’s basic financial statements as a discretely presented component unit.

Pear Grove, Inc., a Texas non-profit corporation (“Pear Grove”) was organized in 2004 to provide homes for persons with mental illness by acquiring and managing residential property under the Department of Housing and Urban Development (HUD) Section 811 grant. The Center’s Board of Trustees appoints the Board of Trustees of Pear Grove and has the ability to remove Trustees; thus, the Center is financially accountable for Pear Grove. Accordingly, Pear Grove has been included in the Center’s basic financial statements as a discretely presented component unit.

Acres Homes Garden, Inc., a Texas non-profit corporation (“Acres Homes”) was organized in 2008 to provide homes for persons with mental illness by acquiring and managing residential property under the Department of Housing and Urban Development (HUD) Section 811 grant. The Center’s Board of Trustees appoints the Board of Trustees of Pear Grove and has the ability to remove Trustees; thus, the Center is financially accountable for Acres Homes. Accordingly, Acres Homes has been included in the Center’s basic financial statements as a discretely presented component unit.

Friends of MHMRA of Harris County (“Friends of MHMRA”) was organized during 2005 to provide charitable services and increase awareness in the community. The Center’s Board of Trustees has the ability to appoint and remove directors and officers of Friends of MHMRA and is financially accountable and the corporation operates exclusively for the benefit of the Center and its clients. In keeping with MHMRA of Harris County changing its name to The Harris Center for Mental Health and IDD, the Board of Trustees of the Friends of MHMRA of Harris County adopted at a special meeting on July 21, 2015 the doing business as (“dba”) name of the Harris Center Foundation for Mental Health and IDD. Accordingly, Friends of MHMRA has been included in the Center’s basic financial statements as a component unit.

Separately issued financial statements of these component units may be obtained from the Chief Financial Officer, The Harris Center for Mental Health and IDD, P.O. Box 25381, Houston, Texas 77265-5381.

Government-wide and Fund Financial Statements

The financial statements of the Center have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. The Center's significant accounting policies are described below.

Revenue and expenditure classifications in the fund financial statements conform to requirements codified in *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (21st Revision)* published by the Texas Health and Human Services Commission (HHSC).

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The statements of net position and statement of activities display information about the Center as a whole. The statements of net position and statements of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenditures, gains, losses, assets, and liabilities are recognized when the underlying transactions take place. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated. In the Statement of Activities, internal service fund transactions have been eliminated. Government-wide financial statements do not include fiduciary funds or component units that are fiduciary in nature.

Program revenues are derived from state and federal grants and third party billings for services rendered. General revenues are primarily derived from the County budget allocation for the Center. Indirect expenses are allocated to individual functions based on the percentage of actual direct costs in accordance with HHSC reporting guidelines.

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Fiduciary fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. The operating statements of these funds present increases and decreases in net current assets. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Center considers revenue to be available when it is collected within 120 days of the end of the current fiscal period. Significant revenues susceptible to accrual under this method are principally billings on reimbursable type grants and awards where revenue is recognized when services are rendered or when reimbursable expenditures are incurred. Client fees are recorded at the net realizable amounts. Medicaid and Medicare revenue is recognized when the services are provided. Unearned revenue arises 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 unearned revenue is removed from the balance sheet and revenue is recognized.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Description of Funds

The Center's accounts are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. All transactions are accounted for in funds, as follows:

Governmental Fund

General Fund – The General Fund is the general operating fund of the Center. There are no legal requirements to account for financial resources in any governmental fund type other than the General Fund.

Proprietary Funds

Internal Service Fund – Permitted for any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis when the reporting government is the predominant participant in the activity.

Self-Insurance Reserve Fund - This internal service fund is used to account for certain self-insurance activities for professional liabilities.

Fiduciary Funds

Agency Fund – Used to account for assets held as an agent for individuals and other governmental entities. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Client Custodial Fund - This fund is used to account for the receipts and distribution of the supplemental security income of eligible clients. As invoices are submitted for items such as clients' rent, utilities, and food, clients are reimbursed using the funds available for their account.

Budgetary Information

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 Board of Trustees. The budget must have the Board of Trustees' approval and that of the Texas Health and Human Services Commission ("HHSC"). All annual appropriations lapse at fiscal year-end.

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

The level of budgetary control or the level at which expenditures cannot legally exceed the appropriated amount is established at the fund level. The Center's management is authorized to transfer budgeted amounts within and among programs. Revisions that alter total revenue or total expenditures by more than \$20,000 must be approved by the Board of Trustees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

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

It is the Center's policy to secure deposits with banks by collateral provided by the institutions, for amounts in excess of the Federal Deposit Insurance Corporation insurance. The collateral is held in the Federal Reserve account of an independent third-party agent.

The Board of Trustees of the Center authorizes management to invest with certain stipulations in obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities; Prime Domestic Bankers Acceptances; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment firm not less than A or its equivalent; fully collateralized direct repurchase agreements; certificates of deposit issued by a state bank, national bank or savings and loan association domiciled in this state; commercial paper; and SEC-registered, no-load money market mutual funds.

During the years ended August 31, 2018 and 2017, the Center did not own any types of securities other than those permitted by statute. Investments for the Center are reported at fair value, except for the position in investment pools that measure for financial reporting purposes all of their investments at amortized cost. The Center's investment pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

Accounts Receivable

Accounts receivable from patients and insurance carriers (including Medicare and Medicaid) for services rendered 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.

Inventory

Inventory consists of expendable supplies and drugs held for consumption and are valued at the lower of cost (first-in, first-out) or market. Under the system of accounting for inventory, supplies and drugs are charged to budgetary expenditures when consumed.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets with useful lives of more than one year are stated at cost. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. The Center capitalizes assets with an initial, individual cost of \$5,000 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No depreciation is calculated on land. Depreciation expense on assets specifically identified with a function/program is included in its direct expenses, and the depreciation on shared capital assets are included ratably. The following lives are used:

Buildings	45 years
Building improvements	20 years
Furniture, machinery, vehicles and other equipment	5-20 years
Telecommunications and peripheral equipment	10 years

Unearned Revenue

Unearned revenue arises 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/expenses. In subsequent periods, when there is a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Compensated Absences

The Center provides paid time off (PTO) benefits to its employees. Employees are permitted to accumulate accrued PTO, subject to maximum limits based on length of service, and may redeem unused PTO hours for cash upon voluntary termination of employment. Involuntary terminations result in no PTO payout. Payment for unused PTO hours is subject to limits ranging from 0 to 234 hours based on length of service. Any accrued PTO hours in excess of the maximum allowed to be accrued are lost, if not currently used. The liability for such leave is recorded as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Risk Management

The Center is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; doctors' malpractice; and natural disasters.

The Center was covered by insurance for most of these various risks at a cost considered to be economically justifiable.

During fiscal year 2003, due to a lack of availability of insurance coverage and the costs of available coverage, the Center stopped purchasing excess insurance coverage for physicians' professional liabilities. The Center has purchased commercial insurance for claims for \$1,000,000 per incident and \$3,000,000 per annum and has increased the umbrella coverage to \$2,000,000 per incident. The Center retains all risk over and above these amounts. During fiscal year 2005, the Center established a Self-Insurance Risk Fund "SIRF" (an internal service fund) to account for and finance this uninsured risks (third level of professional liability coverage). Amounts payable to the SIRF and loss reserves are determined by management in consultation with an independent actuary based on historical claim information to pay prior and current-year claims and to establish a reserve for future catastrophic losses.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

Hurricane Harvey

On August 29, 2017, Hurricane Harvey caused catastrophic damage and flooding across the Harris County area. One of The Harris Center's major clinics located at 7200 N. Loop E., Houston, Texas 77028, was damaged by approximately two and a half feet of flood water throughout the first floor of the building. The closure and mitigation efforts that followed this precipitating event seriously impacted service provision. This damage occurred despite The Harris Center's attempted mitigation of such losses as guided by the Board of Trustees policy and procedures, through employing the expertise of an Agent of Record for Property and Casualty Insurance ("Agent"), and by way of the Agent's implementation of coverage strategies to protect The Harris Center's assets. The Harris Center's intent has been and remains that of insuring its properties against catastrophic damage through the use of property and flood coverage. At each of its annual coverage renewal cycles, The Harris Center reviewed and approved coverage presented to fully ensure against such losses with the assurance of its Agent's substantive knowledge of the subject matter.

It was not until after the loss occurred and a flood claim was filed with its insurer, that The Harris Center's insurer issued notice that 7200 N. Loop E. was located in flood zone AE and, thereby, ineligible for payment of damages resulting from rising water. Internal discovery revealed that a formal Letter of Map Revision ("LMOR") was submitted to the Federal Emergency Management Agency ("FEMA"), resulting in a change to the flood zone designation for the area encompassing 7200 N. Loop E. More specifically, on August 26, 2016, the Federal Emergency Management Agency ("FEMA") determined that a revision to the flood hazards depicted in the Flood Insurance Study ("FIS") report of June 18, 2007 and/or National Flood Insurance Program ("NFIP") map was warranted. The revised NFIP map with a designation of AE became effective on January 1, 2017.

The Harris Center subsequently filed a claim of approximately \$4.1 M with FEMA for its losses incurred as a result of Hurricane Harvey. This claim, as of this writing, is still being reviewed by FEMA.

Use of Estimates

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

Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The categories are as follows:

- *Nonspendable fund balance* – amounts that are not in a spendable form (such as inventory or prepaid items)
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance* – amounts that can be used only for the specific purposes determined by a formal action of the Center’s highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the Center than can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.
- *Assigned fund balance* – amounts the Center intends to use for a specific purpose; intent can be expressed by the Board of Trustees, board committees or by the executive director.
- *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

It is the goal of the Center to achieve and maintain an unassigned fund balance in the General Fund equal to a minimum of 300% of monthly expenditures or the equivalent of 90 days operating expenditures. The Center considers a balance of less than 100% of monthly expenditures or the equivalent of 30 days of operating expenditures to be cause for concern, barring unusual or deliberate circumstance.

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the Board, and unassigned fund balance), the Center will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes the “Reconciliation of the Fund Balance of the Governmental Fund to the Statement of Net Position - Governmental Activities”. One element of that reconciliation explains, “Long-term liabilities are not due and payable with current financial resources and therefore, are not reported in the fund.” The details of this \$8,448,421 difference are as follows:

Notes payable	\$	2,728,571
Compensated absences		<u>5,719,850</u>
Net adjustment to reduce the fund balance of the Governmental Fund to arrive at the net position of Governmental Activities		<u>\$ 8,448,421</u>

Explanation of Certain Differences between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund “Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund” includes the “Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities.” An element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the state of activities, the costs of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.” The details of the \$(917,991) difference are as follows:

Capital outlay	\$	2,100,879
Depreciation expense		<u>(3,018,870)</u>
Net adjustment to reduce Total Fund Balance of Governmental Fund to arrive at Net Position of Governmental Activities		<u>\$(917,991)</u>

3. DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Center’s deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not insured or collateralized. As of August 31, 2018 and 2017, the balances per various financial institutions were \$2,944,754 and \$32,494,467, respectively. The Center’s deposits are not exposed to custodial credit risk since all deposits are collateralized by approximately 28 times the depository balance less an amount insured by the FDIC.

As of August 31, 2018, the Center had the following investments:

<u>Security</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
U.S. Government Agency Securities			
Federal Farm Credit Bank	13 days	AA+	\$ 4,986,855
Federal Farm Credit Bank	14 days	AA+	4,984,695
Federal Home Loan Mortgage Corporation	16 days	AA+	4,975,695
Treasury Bills	16 days	AA+	3,961,720
Federal National Mortgage Association	17 days	AA+	3,942,820
Federal Home Loan Bank	44 days	AA+	7,686,110
Federal Home Loan Bank	79 days	AA+	10,337,734
Federal Home Loan Bank	32 days	AA+	4,965,745
Federal Farm Credit Bank	41 days	AA+	4,990,285
Federal Agricultural Mortgage Corporation	38 days	AA+	9,992,040
Certificates of Deposit	182 days	N/A	560,439
			61,384,138
Local Government Investment Pools			
TexPool Investment Fund	32	AAAm	14,512,789
Texas CLASS	79	AAAm	6,902,207
			21,414,996
			\$ 82,799,134

The amount of increase or decrease in the fair value of investments during the current year is included in the Center’s investment income as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Interest income – General Fund	\$ 927,770	\$ 7,002
Interest income – Proprietary Fund	31,927	-
Unrealized gain (loss) on temporary investments	(23,482)	-
Investment earnings	\$ 936,214	\$ 7,002

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; and Level 3 inputs are significant unobservable inputs. As of August 31, 2018, the Center held the following fair value measurements:

Investments by fair value level	Balance at August 31, 2018	Level 1	Level 2	Level 3
Primary government:				
U.S. Agency debt securities	\$ 56,861,969	\$ 16,604,625	\$ 40,257,344	\$ -
U.S. Treasury bonds	<u>3,961,730</u>	<u>3,961,730</u>	<u>-</u>	<u>-</u>
Total investments measured by fair value level	<u>60,823,699</u>	<u>20,566,355</u>	<u>40,257,344</u>	<u>-</u>
Investments measured at net asset value (NAV):				
Local Government Investment Pools:				
TexPool	6,902,207			
Texas CLASS	<u>14,512,789</u>			
Total investment pools measured by NAV	<u>21,414,996</u>			
Total investments - primary government	<u>\$ 82,238,695</u>			
Component Units:				
Certificates of deposit	\$ 560,439	\$ -	\$ 560,439	\$ -
Total investments - component units	<u>\$ 560,439</u>	<u>\$ -</u>	<u>\$ 560,439</u>	<u>\$ -</u>

Custodial Credit Risk – Investments

For an investment, 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 that are in the possession of an outside party. Center securities are fully guaranteed by the government of the United States.

Interest Rate Risk

The Center's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Financial assets are invested only in investments whose maturities do not exceed five years at the time of purchase. In addition, the average maturity of the overall portfolio shall not exceed five years.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Center's investment policy further limits its investment choices by excluding (1) reverse repurchase agreements, (2) options or future contracts, (3) obligations whose payments represent the coupon payments on the outstanding principle balance for the underlying mortgage backed security collateral and pays no principle, (4) obligations whose payment represents the principle stream of cash flow from the underlying mortgage backed security and bears no interest, (5) collateralized mortgage obligations the interest rate of which is determined by an index that adjust opposite to the changes in the market index and (6) obligations whose interest payment is derived from changes in a market index. As of August 31, 2018, Moody's and Standard & Poor's Investment Services have assigned the above credit ratings which reflect the extremely strong protection that the Center's portfolio investments provide against losses from credit defaults or credit deterioration.

At August 31, 2018 and 2017, investments of \$21,414,996 and \$6,902,207 were held in the Texas Local Government Investment Pools ("TexPool"), and \$14,512,789 and \$43,706 were held in other local government funds (Texas CLASS) for a total of \$21,414,996 and \$15,283,322 held in local government investment pools, respectively.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller of Public Accounts has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information is submitted to both Standard & Poor's and the Office of the State Comptroller of Public Accounts for review.

TexPool is a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

Additional information on TexPool can be obtained by contacting Administrative Offices, TexPool Participant Service, c/o Federated Investors, Inc., 1001 Travis Avenue, Suite 1400, Houston, Texas 77002.

TexPool and Texas CLASS have redemption notice periods of one day and may redeem daily. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

4. ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following balances at August 31, 2018 and 2017 for the primary government:

	2018	2017
Harris County	\$ 6,711,920	\$ 6,659,148
State and federal	4,349,130	4,691,626
3 rd Party billings (net of allowance for uncollectible amounts of \$3,574,834 and \$4,407,238, respectively)	2,288,886	2,022,926
Other receivables	<u>5,853,773</u>	<u>6,205,414</u>
Total receivables	<u>\$ 19,203,709</u>	<u>\$ 19,579,114</u>

5. CAPITAL ASSETS

A summary of changes in general capital asset balances for the year ended August 31, 2018, is as follows:

	Primary Government			Balance as of August 31, 2018
	Balance as of September 1, 2017	Additions	Retirements	
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 6,023,410	\$ -	\$ 793,749	\$ 5,229,661
Total capital assets, not being depreciated	<u>6,023,410</u>	<u>-</u>	<u>793,749</u>	<u>5,229,661</u>
Capital assets being depreciated:				
Buildings and improvements	46,889,545	1,753,693	8,073,718	40,569,520
Furniture and equipment	8,856,155	310,296	188,499	8,977,952
Vehicles	<u>1,548,848</u>	<u>36,890</u>	<u>-</u>	<u>1,585,738</u>
Total capital assets, being depreciated	<u>57,294,548</u>	<u>2,100,879</u>	<u>8,262,217</u>	<u>51,133,210</u>
Total capital assets, at historical cost	<u>63,317,958</u>	<u>2,100,879</u>	<u>9,055,966</u>	<u>56,362,871</u>
Less accumulated depreciation for:				
Buildings and improvements	22,260,008	1,981,133	6,793,683	17,447,458
Furniture and equipment	6,733,841	853,793	104,746	7,482,888
Vehicles	<u>1,046,773</u>	<u>183,944</u>	<u>-</u>	<u>1,230,717</u>
Total accumulated depreciation	<u>30,040,622</u>	<u>3,018,870</u>	<u>6,898,429</u>	<u>26,161,063</u>
Governmental activities capital assets, net	<u>\$ 33,277,336</u>	<u>\$ (917,991)</u>	<u>\$ 2,157,537</u>	<u>\$ 30,201,808</u>

A summary of changes in general capital asset balances for the year ended August 31, 2017, is as follows:

	Primary Government			Balance as of August 31, 2017
	Balance as of September 1, 2016	Additions	Retirements	
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 6,023,410	\$ -	\$ -	\$ 6,023,410
Intangible assets - software in development	6,198,078	-	6,198,078	-
Total capital assets, not being depreciated	12,221,488	-	6,198,078	6,023,410
Capital assets, being depreciated:				
Buildings and improvements	46,773,950	115,595	-	46,889,545
Furniture and equipment	8,152,091	1,182,773	478,709	8,856,155
Vehicles	1,528,035	227,366	206,553	1,548,848
Total capital assets, being depreciated	56,454,076	1,525,734	685,262	57,294,548
Total capital assets, at historical cost	68,675,564	1,525,734	6,883,340	63,317,958
Less accumulated depreciation for:				
Buildings and improvements	19,958,125	2,301,883	-	22,260,008
Furniture and equipment	6,368,514	844,036	478,709	6,733,841
Vehicles	1,067,581	185,745	206,553	1,046,773
Total accumulated depreciation	27,394,220	3,331,664	685,262	30,040,622
Governmental activities capital assets, net	\$ 41,281,344	\$(1,805,930)	\$ 6,198,078	\$ 33,277,336

Depreciation expense for the years ended August 31, 2018 and 2017 were \$3,018,870 and \$3,331,664, respectively, and were charged to the following functions and activities:

	2018	2017
Primary government		
Governmental Activities:		
General Administration	\$ 1,262,458	\$ 1,574,077
Intellectual and Developmental Disabilities	817,951	815,385
Mental Retardation	368,037	367,028
Child and Adolescent	180,164	181,159
Crisis Center	390,260	394,015
Total governmental activities	\$ 3,018,870	\$ 3,331,664

In December 2013, The Harris Center for Mental Health and IDD purchased a 12-story building located at 9401 Southwest Freeway for \$9.5M in order to house the expansion dictated by the DSRIP projects, as well as from additional State funding that required addressing the wait list. Our building at 7011 Southwest Freeway that housed our former Center is being readied for sale. A 7-year loan from J.P. Morgan Chase in the amount of \$7.64 M was initially secured to partially finance this purchase.

6. LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2018, was as follows:

	Balance as of September 1, 2017	Additions	Retirements	Balance as of August 31, 2018	Amounts Due Within One Year
Governmental activities:					
Notes payable:					
Bank notes payable	\$ 3,820,000	\$ -	\$ 1,091,429	\$ 2,728,571	\$ 1,091,429
Other liabilities:					
Compensated absences	<u>6,692,142</u>	<u>169,142</u>	<u>1,141,434</u>	<u>5,719,850</u>	<u>250,000</u>
Governmental activities long-term liabilities	<u>\$ 10,512,142</u>	<u>\$ 169,142</u>	<u>\$ 2,232,863</u>	<u>\$ 8,448,421</u>	<u>\$ 1,341,429</u>

Long-term liability activity for the year ended August 31, 2017 was as follows:

	Balance as of September 1, 2016	Additions	Retirements	Balance as of August 31, 2017	Amounts Due Within One Year
Governmental activities:					
Notes payable:					
Bank notes payable	\$ 4,911,429	\$ -	\$ 1,091,429	\$ 3,820,000	\$ 1,091,429
Other liabilities:					
Compensated absences	<u>6,573,523</u>	<u>673,754</u>	<u>555,135</u>	<u>6,692,142</u>	<u>250,000</u>
Governmental activities long-term liabilities	<u>\$ 11,484,952</u>	<u>\$ 673,754</u>	<u>\$ 1,646,564</u>	<u>\$ 10,512,142</u>	<u>\$ 1,341,429</u>

The Center has issued notes payable to provide funds for the acquisition of capital assets. In fiscal year 2014, the Center entered into a note payable to JPMorgan Chase Bank that carries an interest rate of 1.99%, is payable in semi-annual payments of \$545,714 plus interest, and is secured by a security and deed of trust on related property through December 2021.

Debt service for notes payable as of August 31, 2018, are as follows:

Year ending August 31,	Principal	Interest	Total
2019	\$ 1,091,429	\$ 49,563	\$ 1,140,991
2020	1,091,429	27,602	1,119,030
2021	<u>545,714</u>	<u>5,490</u>	<u>551,204</u>
	<u>\$ 2,728,571</u>	<u>\$ 82,654</u>	<u>\$ 2,811,226</u>

Provisions of the loan agreement relating to a note payable contain certain covenants requiring or restricting: (1) the Center's cash and investments in the general fund equal, at a minimum, to six weeks of "current operating expenses", (2) the Center to maintain a "Debt Service Coverage Ratio" of 1.0x for each consecutive two fiscal years, (3) the Center's ability to pledge or mortgage assets without prior written consent and (4) the Center's ability to enter into new lease obligations in excess of \$1,000,000. The "current operating expenses" and "Debt Service Coverage Ratio" are defined in the debt indenture. The Center was in compliance with these requirements at August 31, 2018.

7. OPERATING LEASES

The Center leases certain administrative, residential and outpatient facilities under operating lease agreements. Rent expenditures/expense under operating leases, including annually renewable operating leases for equipment and vehicles, amounted to \$853,614 and \$1,484,722 in for the years ended August 31, 2018 and 2017, respectively.

The future minimum rental payments required under non-cancelable operating leases having remaining terms in excess of one year as of August 31, 2018, are as follows:

Year ending August 31,	
2019	\$ 319,145
2020	265,364
2021	56,575
2022	16,849
2023	16,849
2024-2028	<u>67,392</u>
	<u>\$ 742,174</u>

8. RELATED PARTY TRANSACTIONS

The Center, a component unit of the County, obtains certain community services from the County under contractual agreements. Expenses under such contracts amounted to \$64,133 and \$22,415 for the years ended August 31, 2018 and 2017, respectively.

The Center also received \$18,874,878 in financial support from the County in fiscal year 2018 and \$17,660,928 in fiscal year 2017.

9. PENSION PLAN

The defined contribution pension plan (the “Plan”) was established by the Center for substantially all of its employees, effective January 1, 1989. The plan document was updated and amended effective January 1, 2000.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate at the next entry date as defined by the plan after working 1,560 hours and being employed on December 31 of the plan year. The plan requires that the Center contribute an amount equal to 5% of the eligible employee’s annual base salary. Employee contributions are not permitted. If a participant in the plan terminates employment, the non-vested account balance is forfeited. Effective plan year 2008, the Center instituted an employee matching program. Eligible employees must open and participate in a 403(b) plan. The match is dollar for dollar up to 5% of the employee’s annual base salary, with a minimum of 1%.

The plan allows forfeitures to be applied to reduce sponsor contributions for the plan year in which the forfeitures occurred. Forfeitures for the plan years 2017 and 2016 amounted to \$900,000 and \$1,522,180, respectively, of which \$900,000 and \$1,522,180, respectively, was used against the Center's contributions for the year ended August 31, 2018 and 2017, respectively.

Beginning in plan year 2004, contributions are made on an annual basis, and employees must also be actively employed with the Center on the last day of the Plan year to receive the matching contributions. Effective Plan year 2005, the Center also will make a supplemental contribution each year if the amount in the forfeiture account after Plan expenses exceeds \$200,000. To receive this supplemental contribution the employees must have earned six years of service and be employed at the end of the plan year. The percentage of contribution varies from 1 to 3% depending on the number of years of service.

Employees who retire, die or become permanently disabled during the year are entitled to the full contribution for the year.

Center contributions made on account of the 2004 plan year or any subsequent plan year, as adjusted by earnings and losses thereon, will vest 100% after 5 years of service with no vesting prior to 5 years.

A favorable determination letter of the defined contribution plan was received on October 10, 2000 from the Internal Revenue Service. Employer contributions for the fiscal years ended August 31, 2018 and 2017 amounted to \$8,224,865 and \$6,306,214 respectively.

10. VOLUNTARY EMPLOYEE CONTRIBUTION TAX DEFERRED INVESTMENT PLANS

The Center offers its employees a defined contribution tax deferred investment plan under Internal Revenue Code (IRC) Section 403(b). This plan was established by the Center for all of its employees effective May 1, 1996.

Additionally, the Center offers its employees a defined contribution tax deferred investment plan under Internal Revenue Code (IRC) Section 457. This plan was established by the Center effective July 1, 2006.

Under both plans, benefits depend solely on amounts contributed to the plan plus investment earnings. An employee shall become a member of a plan commencing as soon as practicable after the employee completes plan enrollment forms provided by the Center and the custodians. Participation in the plans is completely voluntary and all funding of the plans is by employee salary deferral. Each member may elect to defer a fixed percentage or a fixed amount of compensation not to exceed the maximum specified by the IRC, and for the 403 (b) plan, have the employer contribute such deferred amounts to the custodian(s) selected by the member in accordance with the provisions of the plan, and for the 457 plan, have the employer contribute such deferred amounts to the custodian, Institutional Securities Corporation, located in Dallas, Texas.

11. CONTINGENCIES

The Center is named defendant in several lawsuits. The Center believes these lawsuits to have meritorious defense and is defending them vigorously. The amount of liability, if any, from the claims cannot be determined with certainty; however, management is of the opinion that the outcome of the claims will not have a material adverse impact on the financial position. The financial statements do not include any adjustments for potential losses that may result from these matters.

The Center receives significant amounts of grants from state and federal agencies and participates in Medicare and Medicaid programs. These programs are subject to audit by the agents for granting agencies for compliance with grant provisions. The Center's management believes that any liability for reimbursement which may arise as the result of these audits will not be material to the financial position of the Center.

12. SAMPLE DRUGS AND PATIENT ASSISTANCE PROGRAMS

The Center assists its consumers in participating in a Patient Assistance Program (PAP) and Sample Drug Program where the Center, on behalf of its consumers, receives pharmaceuticals for free and dispenses these drugs to the consumers according to policy.

The amounts of free drugs dispensed by the Center for its consumers for the years ended August 31, 2018 and 2017 were \$23,753,638 and \$26,399,768, respectively. The PAP and sample drugs received and provided to the consumers reduce the total drug expense that the Center would otherwise incur without the PAP.

The Center is deemed as the payor of last resort for the medications. The Center recognizes the benefits of the PAP program to its consumers and has dedicated staff to assist the consumers in applying for the PAP programs through the various pharmaceutical companies. Through internal policy, Center physicians are required to participate in the PAP program.

The pharmaceutical companies' PAP and Sample Drug Programs are intended to directly benefit the consumers. Therefore, the amounts listed above are not reflected in the Center's Statement of Revenue, Expenditures and Changes in Fund Balances or the Government-wide State of Activities.

13. DELIVERY SYSTEM REFORM INCENTIVE PAYMENTS

In December of 2011, the Centers for Medicare and Medicaid Services (CMS) approved the State of Texas' application called Medicaid Waiver 1115, which aims to redesign healthcare delivery in Texas consistent with CMS' aim to improve the experience of care, to improve the health of populations, and to reduce the cost of healthcare without compromising quality.

This Waiver called for local entities to propose Delivery System Reform Incentive Program (DSRIP) projects categorized either for Infrastructure Development (Category 1), Program Innovation and Redesign (Category 2), or Quality Improvement (Category 3). The entire State of Texas was divided into regions and Community Mental Health programs were allowed 10% of each region's DSRIP allocation. This allocation utilized valuation of the projects rather than cost as the basis for project reimbursement.

As of the end of August 31, 2018, the Center submitted and was approved a total of 27 DSRIP projects with a total valuation of \$82,137,078. Revenues from these projects continue to be received at least twice a year and are recognized as soon as these become ascertainable, i.e. the CMS and the Texas Health and Human Services Commission inform us of the approved valuation based on metrics submitted. Expenses are continuously incurred throughout the year. Most recently, the Texas HHSC again requested for another extension and the latest update was that discussions are exploring a 5-year extension. This request, however, has not yet been acted upon by CMS as of this writing.

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OTHER SUPPLEMENTARY INFORMATION

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THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
For the Year Ended August 31, 2018

	Total
Governmental Funds Capital Assets	
Land	\$ 5,229,661
Buildings	20,003,827
Furniture and equipment	8,977,952
Leasehold improvements	20,565,693
Vehicles	1,585,738
Total Governmental Fund Capital Assets	\$ 56,362,871
 Investment in Governmental Funds Capital Assets by Source	
General Fund	\$ 56,362,871
Total Investment in Governmental Funds Capital Assets	\$ 56,362,871

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THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION
For the Year Ended August 31, 2018

<u>Function</u>	<u>Land</u>	<u>Buildings</u>	<u>Equipment and Furniture</u>	<u>Leasehold Improvements</u>	<u>Vehicles</u>	<u>Total</u>
Mental Health	\$ 1,895,149	\$ 5,901,717	\$ 2,365,744	\$ 5,164,083	\$ 470,669	\$ 15,797,362
Intellectual and Developmental Disabilities	916,080	2,895,662	1,111,807	2,084,708	177,939	7,186,196
Child and Adolescent	174,011	1,274,669	534,677	1,375,659	-	3,359,016
Crisis Center	588,825	2,761,748	422,172	2,619,061	756,762	7,148,568
Administration	<u>1,655,596</u>	<u>7,170,031</u>	<u>4,543,552</u>	<u>9,322,182</u>	<u>180,368</u>	<u>22,871,729</u>
Total Governmental Fund Capital Assets	<u>\$ 5,229,661</u>	<u>\$ 20,003,827</u>	<u>\$ 8,977,952</u>	<u>\$ 20,565,693</u>	<u>\$ 1,585,738</u>	<u>\$ 56,362,871</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
For the Year Ended August 31, 2018

Function	Governmental Fund Capital Assets August 31, 2017	Additions	Retirements	Governmental Fund Capital Assets August 31, 2018
Mental Health	\$ 15,760,471	\$ 202,990	\$ 166,100	\$ 15,797,361
Intellectual and Developmental Disabilities	7,186,196	-	-	7,186,196
Child and Adolescent	3,359,016	-	-	3,359,016
Crisis Center	7,148,568	-	-	7,148,568
Administration	<u>29,863,707</u>	<u>1,897,889</u>	<u>8,889,866</u>	<u>22,871,730</u>
Total Governmental Fund Capital Assets	<u>\$ 63,317,958</u>	<u>\$ 2,100,879</u>	<u>\$ 9,055,966</u>	<u>\$ 56,362,871</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND

For the Years Ended August 31, 2018 and 2017

	Balance September 1, 2017	Additions	Deductions	Balance August 31, 2018
Client Custodial Fund				
Assets				
Cash and cash equivalents	\$ <u>21,109</u>	\$ <u>90,994</u>	\$ <u>89,925</u>	\$ <u>22,178</u>
Liabilities				
Due to clients	\$ <u>21,109</u>	\$ <u>90,994</u>	\$ <u>89,925</u>	\$ <u>22,178</u>

	Balance September 1, 2016	Additions	Deductions	Balance August 31, 2017
Client Custodial Fund				
Assets				
Cash and cash equivalents	\$ <u>29,768</u>	\$ <u>75,237</u>	\$ <u>83,896</u>	\$ <u>21,109</u>
Liabilities				
Due to clients	\$ <u>29,768</u>	\$ <u>75,237</u>	\$ <u>83,896</u>	\$ <u>21,109</u>

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STATISTICAL SECTION

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

NET POSITION BY COMPONENT (UNAUDITED)

**LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities:				
Net investment in capital assets	\$ 12,106,397	\$ 14,192,234	\$ 13,105,363	\$ 18,340,667
Unrestricted	<u>40,729,973</u>	<u>42,140,254</u>	<u>47,149,860</u>	<u>41,232,357</u>
Total governmental activities net position	<u>\$ 52,836,370</u>	<u>\$ 56,332,488</u>	<u>\$ 60,255,223</u>	<u>\$ 59,573,024</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 19,361,119	\$ 21,640,340	\$ 34,224,927	\$ 36,369,915	\$ 29,457,337	\$ 27,473,237
<u>42,452,145</u>	<u>57,323,346</u>	<u>44,503,224</u>	<u>44,756,241</u>	<u>49,448,324</u>	<u>72,502,908</u>
<u>\$ 61,813,264</u>	<u>\$ 78,963,686</u>	<u>\$ 78,728,151</u>	<u>\$ 81,126,156</u>	<u>\$ 78,905,661</u>	<u>\$ 99,976,145</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

CHANGES IN NET POSITION (UNAUDITED)

LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

	2009	2010	2011	2012
EXPENSES				
Governmental activities:				
Adult Mental Health	\$ 46,597,293	\$ 51,522,383	\$ 48,335,141	\$ 51,359,838
Intellectual & Developmental Disabilities	37,666,929	42,441,157	42,563,470	39,042,871
Child and Adolescent	15,939,526	16,106,665	16,955,321	16,891,756
Crisis Center	27,250,245	31,573,042	30,217,489	29,822,983
Community Hospital	23,274,922	27,450,626	27,227,020	27,060,660
Interest on long-term debt	326,553	287,043	244,779	200,251
Total governmental activities expenses	<u>141,818,073</u>	<u>151,055,468</u>	<u>169,380,916</u>	<u>165,543,220</u>
PROGRAM REVENUES				
Governmental activities:				
Adult Mental Health	51,123,437	55,264,007	54,026,517	51,391,116
Intellectual & Developmental Disabilities	33,356,775	38,000,713	39,980,786	35,821,059
Child and Adolescent	13,983,388	14,657,202	15,680,291	16,699,140
Crisis Center	11,203,837	17,617,875	14,251,271	15,019,426
Community Hospital	23,274,922	27,450,626	27,227,020	23,529,696
Total governmental activities program revenues	<u>124,269,041</u>	<u>132,942,359</u>	<u>152,990,423</u>	<u>151,165,885</u>
NET (EXPENSE) REVENUE				
Governmental activities	(17,549,032)	(18,113,109)	(16,390,493)	(14,377,335)
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental activities:				
Grants and contributions not restricted to specific programs	21,089,394	18,864,850	17,710,874	20,371,022
Unrestricted investment earnings	320,117	176,940	216,198	386,127
Miscellaneous	2,459,743	821,179	360,534	452,334
Gain on sale of capital assets	73,818	23,642	12,464	26,240
Special items -				
Impairment of intangible asset	-	-	-	-
Total	<u>19,333,006</u>	<u>23,943,072</u>	<u>19,886,611</u>	<u>18,300,070</u>
CHANGE IN NET POSITION				
Governmental activities	<u>\$ 1,783,974</u>	<u>\$ 5,829,963</u>	<u>\$ 3,496,118</u>	<u>\$ 3,922,735</u>

	2013	2014	2015	2016	2017	2018
\$	52,421,224	\$ 68,146,563	\$ 83,226,544	\$ 91,091,630	\$ 94,427,166	\$ 96,890,848
	39,367,361	41,147,139	42,673,928	38,577,809	38,175,764	38,292,658
	17,564,259	18,916,913	21,764,369	21,301,580	23,608,324	24,622,171
	30,768,150	35,956,233	39,378,723	41,615,210	45,643,089	43,022,415
	32,038,969	31,481,431	32,526,192	34,458,349	34,900,020	34,215,576
	152,415	179,191	186,749	119,925	93,605	78,698
	<u>164,378,359</u>	<u>172,312,378</u>	<u>195,827,470</u>	<u>219,756,505</u>	<u>236,847,968</u>	<u>237,122,366</u>
	54,595,205	79,297,874	81,106,844	88,451,372	94,709,224	98,673,597
	35,644,524	37,584,146	37,907,793	36,024,333	39,072,798	42,652,236
	15,991,984	16,502,431	22,847,722	21,461,922	22,047,046	20,383,462
	17,947,672	30,519,423	27,720,845	33,418,720	35,709,458	41,989,680
	28,493,696	28,406,319	29,693,696	30,800,496	30,800,496	30,800,496
	<u>142,460,437</u>	<u>152,673,081</u>	<u>192,310,193</u>	<u>199,276,900</u>	<u>222,339,022</u>	<u>234,499,471</u>
(	21,917,922)	(19,639,297)	(3,517,277)	(20,479,605)	(14,508,946)	(2,622,895)
	20,550,038	20,632,988	19,359,773	18,456,922	17,660,928	18,874,878
(	17,127)	308,905	222,109	295,372	446,138	936,214
	1,232,202	273,597	655,615	602,361	334,602	277,879
	19,520	24,478	6,560	51,010	44,862	3,604,408
	-	-	-	-	(6,198,078)	-
	<u>21,235,723</u>	<u>21,784,633</u>	<u>21,239,968</u>	<u>20,244,057</u>	<u>12,288,452</u>	<u>23,693,379</u>
\$(	<u>682,199)</u>	<u>2,145,336</u>	<u>17,722,691</u>	<u>235,548)</u>	<u>2,220,494)</u>	<u>21,070,484</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)

**LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund				
Reserved for:				
Inventories	\$ 198,810	\$ -	\$ -	\$ -
Prepaid	200,023	-	-	-
Unreserved:				
Designated funds:				
Infrastructure development	5,800,000	-	-	-
Self insurance	2,000,000	-	-	-
Debt repayment	5,269,922	-	-	-
Compensated Absences	2,720,129	-	-	-
Others	743,037	-	-	-
General fund - undesignated	24,370,717	-	-	-
Nonspendable:				
Inventories	-	182,569	163,914	138,908
Prepays	-	333,053	271,022	315,871
Committed:				
Delivery System Reform Incentive Projects	-	-	-	-
Assigned:				
Infrastructure development	-	5,800,000	5,800,000	5,800,000
Self-insurance	-	2,000,000	2,000,000	2,000,000
Debt repayment	-	4,560,702	3,809,183	3,012,954
Compensated absences	-	3,123,753	3,219,676	3,342,268
Other purposes	-	748,029	405,876	409,768
Unassigned:	<u>-</u>	<u>26,364,127</u>	<u>29,123,629</u>	<u>27,397,775</u>
 Total general fund	 <u>\$ 34,955,327</u>	 <u>\$ 41,302,638</u>	 <u>\$ 43,112,233</u>	 <u>\$ 44,793,300</u>

Note: GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, replaced the categories that previously had been used to classify fund balance. The Center adopted GASB No. 54 in fiscal year 2010.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	147,974	195,217	230,342	244,856	233,710	235,526
	408,202	875,965	585,604	785,019	832,283	652,300
	2,451,869	16,760,603	10,231,836	3,895,406	3,895,406	14,226,265
	5,800,000	5,800,000	2,994,473	799,744	204,866	121,846
	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	2,169,977	8,369,816	6,330,951	4,911,428	3,820,000	2,728,571
	3,435,430	5,247,282	6,264,742	6,573,523	6,692,142	5,719,850
	414,460	404,706	394,052	410,498	426,944	374,890
	<u>26,328,057</u>	<u>20,756,976</u>	<u>19,574,866</u>	<u>29,542,446</u>	<u>35,855,265</u>	<u>49,951,732</u>
\$	<u>42,417,544</u>	<u>\$ 43,155,969</u>	<u>\$ 60,410,565</u>	<u>\$ 48,606,866</u>	<u>\$ 53,960,616</u>	<u>\$ 76,010,980</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED) LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues				
Local	\$ 57,888,002	\$ 59,426,076	\$ 62,937,932	\$ 64,363,140
State	83,161,961	95,527,987	94,597,104	89,622,892
Federal	15,740,531	17,895,020	11,915,483	9,681,399
Total revenues	<u>143,540,184</u>	<u>156,790,494</u>	<u>172,849,083</u>	<u>169,450,519</u>
Expenditures				
Salaries	78,101,016	87,604,734	88,266,962	86,527,045
Employee benefits	17,663,317	21,182,041	21,811,119	22,239,368
Professional and consultant services	7,714,718	10,233,262	9,226,159	7,384,814
Training and travel	2,493,567	2,635,039	2,759,524	2,979,031
Debt service:				
Principal	670,315	709,220	751,518	796,229
Interest	326,553	287,043	244,779	200,251
Capital outlay	229,360	2,691,961	2,857,896	2,375,254
Non-capitalized equipment	2,388,284	1,517,604	418,692	1,037,372
Pharmaceutical	3,733,380	1,732,486	1,683,525	1,471,468
Other	37,031,315	42,469,740	39,761,742	41,058,750
Total expenditures	<u>142,306,462</u>	<u>150,351,825</u>	<u>171,063,130</u>	<u>167,781,916</u>
Excess of revenues over (under) expenditures	1,233,722	6,438,669	1,785,953	1,668,603
Other financing sources (uses)				
Debt issuance	-	-	-	-
Sale of capital assets	340,041	23,642	12,464	26,240
Total other financing sources (uses)	<u>193,597</u>	<u>340,041</u>	<u>23,642</u>	<u>12,464</u>
Net change in fund balances	<u>\$ 1,427,319</u>	<u>\$ 6,778,710</u>	<u>\$ 1,809,595</u>	<u>\$ 1,681,067</u>
 Ratio of total debt service expenditures to total noncapital expenditures	 0.70%	 0.67%	 0.59%	 0.60%

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 67,052,301	\$ 66,236,188	\$ 70,714,740	\$ 69,599,303	\$ 75,768,153	\$ 75,672,011
94,319,225	104,833,857	102,911,444	110,851,190	105,272,006	109,389,867
13,159,316	42,454,903	45,887,191	49,055,292	59,727,494	69,494,638
<u>163,667,431</u>	<u>174,530,842</u>	<u>213,524,948</u>	<u>219,513,375</u>	<u>240,767,653</u>	<u>254,556,516</u>
89,048,998	101,194,770	118,697,865	124,691,712	127,899,575	131,243,432
22,691,270	25,433,141	29,254,007	28,011,451	33,125,125	33,557,908
7,713,373	10,351,530	10,240,517	10,575,182	11,043,922	10,673,437
2,927,971	2,969,507	3,278,161	3,337,267	3,175,896	3,056,125
842,977	1,440,160	2,038,866	1,419,522	1,091,429	1,091,429
152,415	179,191	186,749	119,925	93,605	78,698
1,560,933	10,551,229	12,002,583	4,168,307	1,525,735	2,100,879
1,152,194	1,805,330	3,589,925	2,128,168	2,890,221	1,552,041
1,133,818	1,274,994	1,377,772	1,886,395	1,887,370	1,855,120
<u>46,015,718</u>	<u>48,734,987</u>	<u>50,657,189</u>	<u>52,662,782</u>	<u>53,281,971</u>	<u>53,059,028</u>
<u>166,069,582</u>	<u>173,239,667</u>	<u>203,934,839</u>	<u>231,323,634</u>	<u>236,014,849</u>	<u>238,268,097</u>
(2,402,151)	1,291,175	9,590,109	(11,810,259)	4,752,804	16,288,419
-	7,640,000	-	-	-	-
<u>19,520</u>	<u>24,478</u>	<u>6,560</u>	<u>51,010</u>	<u>44,862</u>	<u>5,761,945</u>
<u>26,240</u>	<u>19,520</u>	<u>7,664,478</u>	<u>6,560</u>	<u>44,862</u>	<u>5,761,945</u>
<u>\$(2,375,911)</u>	<u>\$ 1,310,695</u>	<u>\$ 17,254,587</u>	<u>\$(11,803,699)</u>	<u>\$ 4,797,666</u>	<u>\$ 22,050,364</u>
0.61%	1.00%	1.16%	0.68%	0.51%	0.50%

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

PRINCIPAL SOURCES OF REVENUES (UNAUDITED)

LAST TEN FISCAL YEARS

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Local				
County government	\$ 30,366,731	\$ 29,728,217	\$ 28,681,523	\$ 28,132,939
Medicaid/Medicare	12,503,786	15,323,885	21,637,710	21,780,636
Other	<u>15,017,485</u>	<u>14,373,974</u>	<u>12,618,699</u>	<u>14,449,720</u>
Total local revenue	<u>57,888,002</u>	<u>59,426,076</u>	<u>62,937,932</u>	<u>64,363,295</u>
State				
Texas Department of Health and Human Services				
Texas Department of State Health Services				
General Revenue	63,574,567	74,076,314	74,500,636	75,919,706
Department of Aging and Disability Services -				
General Revenue	12,150,341	14,979,825	13,654,580	8,803,727
Early Childhood Intervention	2,375,698	1,906,946	2,115,314	1,073,474
Texas Council on Offenders with Mental Impairments	3,598,828	3,394,902	3,354,574	2,787,591
Other state agencies	<u>1,462,527</u>	<u>1,170,000</u>	<u>972,000</u>	<u>1,038,394</u>
Total state revenues	<u>83,161,961</u>	<u>95,527,987</u>	<u>94,597,104</u>	<u>89,622,892</u>
Federal				
Mental Health Block Grant	3,081,806	3,081,806	3,081,806	3,081,806
Early Childhood Intervention	6,359,357	5,920,373	4,607,965	2,746,242
Delivery System Reform Incentive	-	-	-	-
Other federal revenues	<u>6,299,368</u>	<u>8,892,841</u>	<u>4,225,712</u>	<u>3,853,351</u>
Total federal revenues	<u>15,740,531</u>	<u>17,895,020</u>	<u>11,915,483</u>	<u>9,681,399</u>
Total revenues	<u>\$ 156,790,494</u>	<u>\$ 172,849,083</u>	<u>\$ 169,450,519</u>	<u>\$ 163,667,586</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 29,273,302	\$ 30,412,676	\$ 35,157,223	\$ 34,692,528	\$ 34,924,970	\$ 36,375,537
24,152,125	22,121,662	25,428,729	26,193,236	31,322,850	26,893,423
13,626,874	13,701,859	10,128,788	8,713,539	9,520,333	12,403,051
<u>67,052,301</u>	<u>66,236,197</u>	<u>70,714,740</u>	<u>69,599,303</u>	<u>75,768,153</u>	<u>75,672,011</u>
80,410,871	90,691,945	87,856,785	94,957,960	90,760,137	94,201,283
8,799,578	8,790,754	9,382,704	8,917,182	9,306,535	10,220,288
1,255,837	1,219,655	1,494,851	2,994,853	1,097,691	888,044
2,773,939	2,866,406	3,077,654	3,116,905	3,303,917	3,193,586
1,079,000	1,265,097	1,099,450	864,290	803,726	886,666
<u>94,319,225</u>	<u>104,833,857</u>	<u>102,911,444</u>	<u>110,851,190</u>	<u>105,272,006</u>	<u>109,389,867</u>
3,081,806	3,081,806	3,081,806	3,081,806	3,081,806	3,143,830
2,131,105	2,068,766	3,075,730	1,264,006	3,407,557	3,407,557
2,837,339	30,532,366	31,166,380	32,782,283	41,080,250	48,372,621
7,946,405	6,771,965	8,563,275	11,927,197	21,925,025	14,570,630
<u>15,996,655</u>	<u>42,454,903</u>	<u>45,887,191</u>	<u>49,055,292</u>	<u>69,494,638</u>	<u>69,494,638</u>
<u>\$ 177,368,181</u>	<u>\$ 213,524,957</u>	<u>\$ 219,513,375</u>	<u>\$ 229,505,785</u>	<u>\$ 250,534,797</u>	<u>\$ 254,556,516</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

SCHEDULE OF INDIRECT COSTS (UNAUDITED)

FOR THE YEAR ENDED AUGUST 31, 2018

	Total Costs	Non-Allowable Costs	Depreciation	Total Adjusted Costs	Indirect Costs	Direct Costs
Salaries	\$ 131,243,432	\$ -	\$ -	\$ 131,243,432	\$ 16,488,534	\$ 114,754,898
Employee benefits	33,557,908	-	-	33,557,908	4,144,757	29,413,150
Debt service	1,170,126	(1,091,429)	-	78,698	78,698	-
Capital outlay	1,511,515	(1,474,625)	-	36,890	-	36,890
Pharmaceutical	1,677,956	-	-	1,677,956	-	1,677,956
Depreciation	-	-	3,018,870	3,018,870	1,253,452	1,765,418
Other operating expenditures	<u>69,107,161</u>	<u>(127,714)</u>	<u>-</u>	<u>68,979,447</u>	<u>1,048,464</u>	<u>67,930,983</u>
 Total	 <u>\$ 238,268,097</u>	 <u>\$(2,693,768)</u>	 <u>\$ 3,018,870</u>	 <u>\$ 238,593,200</u>	 <u>\$ 23,013,905</u>	 <u>\$ 215,579,295</u>
 Indirect Costs					\$ 23,013,905	
Direct Costs						\$ 215,579,295
 Indirect Cost Rate						 10.68%

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
SCHEDULE OF DIRECT AND INDIRECT COSTS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>Total Costs</u>	<u>Adjustments/ Exclusions</u>	<u>Indirect Cost</u>	<u>Direct Cost</u>
EXPENDITURES:				
Personnel costs:				
Salaries and wages	\$ 131,243,432	\$ -	\$ 16,488,534	\$ 114,754,898
Fringe benefits	33,557,908	-	4,144,757	29,413,150
Consultation and professional fees	1,281,031	-	297,026	984,005
Travel - board and staff	3,056,125	(10,152)	89,580	2,956,393
Consumable supplies:				
Drugs	1,677,956	-	-	1,677,956
Food	389,047	(56,683)	34,973	297,391
Other	1,279,163	(309)	188,033	1,090,821
Furniture and equipment:				
Capital expenditures	344,692	(344,692)	-	-
Rental	266,324	-	65,751	200,573
Repair and maintenance	6,034,987	-	2,494,625	3,540,362
Shared services allocation	(3,664,084)	-	(3,664,084)	-
Building:				
Capital expenditures from general operations	1,129,933	(1,129,933)	-	-
Rental	580,347	-	25,449	554,898
Repair and maintenance	8,998,344	-	3,638,457	5,359,887
Shared services allocation	(6,261,086)	-	(6,261,086)	-
Vehicles:				
Capital expenditures	36,890	-	-	36,890
Rental	7,011	-	7,011	-
Repair and maintenance	227,110	-	49,145	177,965
Contracts with service agencies	47,155,751	-	2,197	47,153,555
Other:				
Utilities, postage and telephone	2,551,270	-	1,192,240	1,359,030
Client transportation	64,596	-	-	64,596
Audit and legal fees	293,883	-	293,883	-
Insurance	1,123,223	-	704,387	418,836
Meetings	18	-	18	-
Transfer and storage	125,599	-	64,420	61,179
Dues and subscriptions	234,185	-	204,382	29,804
Payment on note principal	1,091,429	(1,091,429)	-	-
Interest charges	78,698	-	78,698	-
Laboratory	214,129	-	-	214,129
Security	1,030,636	-	607,689	422,948
Miscellaneous	4,119,553	(60,570)	1,014,370	3,044,613
Total expenditures	<u>\$ 238,268,097</u>	<u>\$(2,693,768)</u>	<u>\$ 21,760,453</u>	<u>\$ 213,813,877</u>
Equipment and vehicle depreciation	\$ -	\$ 1,037,737	\$ 445,586	\$ 592,151
Buildings and improvements depreciation	-	1,981,133	807,866	1,173,267
Total	<u>\$ 238,268,097</u>	<u>\$ 325,102</u>	<u>\$ 23,013,905</u>	<u>\$ 215,579,295</u>
Indirect costs			\$ 23,013,905	
Direct costs			<u>\$ 215,579,295</u>	
			<u>10.68%</u>	

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

LOCAL SERVICE AREA POPULATION (UNAUDITED)

FOR THE YEAR ENDED AUGUST 31, 2018

Population of local service areas for which the following centers are the local Mental Health and IDD Authority.

<u>Center</u>	<u>Mental Health Population</u>	<u>Intellectual & Developmental Disability Population</u>
ACCESS	116,614	116,614
Andrews Center	430,638	430,638
Austin-Travis County	1,197,053	1,197,053
Betty Hardwick (Abilene)	186,443	186,443
Bluebonnet Trails	982,095	982,095
Border Region	384,356	384,356
Brazos Valley	361,656	361,656
Burke Center	406,144	406,144
Camino Real	232,953	232,953
Center for Health Care Services	1,953,028	1,953,028
Center for Life Resources	103,501	103,501
Central Counties	509,726	509,726
Central Plains	98,219	98,219
Coastal Plains Center	235,767	235,767
Concho Valley	131,570	131,570
Denton County	846,738	846,738
El Paso	904,586	904,586
Gulf Bend	185,313	185,313
Gulf Coast Center	700,393	700,393
Harris County	4,633,511	4,633,511
HEALTHCORE	481,377	481,377
Heart of Texas	372,211	372,211
Helen Farabee Center	321,653	321,653
Hill Country	696,277	696,277
Lakes Regional Center	170,186	170,186
LifePath Systems	1,025,618	1,025,618
NorthStar	3,123,340	3,123,340
Nueces County	365,275	365,275
PANHANDLE	429,141	429,141
Pecan Valley	459,137	459,137
Permian Basin	348,944	348,944
Spindletop	452,425	452,425
Starcare Lubbock	343,409	343,409
Tarrant County	2,023,985	2,023,985
Texana	977,650	977,650
Texoma	206,977	206,977
Tri-County	748,104	748,104
Tropical Texas	1,423,186	1,423,186
West Texas	228,091	228,091
Total	<u>28,797,290</u>	<u>28,797,290</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

DEMOGRAPHIC STATISTICS (UNAUDITED)

LAST TEN CALENDAR YEARS

Calendar Year	Population (A)	Unemployment Rate (B)	Total Personal Income (C)	Per Capita Personal Income
2009	3,984,349	5.5%	\$ 190,226,395,000	\$ 47,743
2010	4,070,989	8.1%	196,779,227,000	48,337
2011	4,092,459	8.3%	183,899,347,000	44,936
2012	4,178,574	7.2%	204,593,445,000	48,963
2013	4,253,700	6.0%	224,617,980,000	52,805
2014	4,336,853	5.5%	230,462,963,000	53,141
2015	4,441,370	4.0%	252,694,912,000	56,896
2016	4,538,028	4.6%	249,989,494,000	55,088
2017	4,589,928	5.3%	247,482,118,000	53,188
2018	4,652,980	5.0%	(D)	(D)

- (A) Source: Bureau of the Census
- (B) Source: Texas Workforce Commission
- (C) Source: Bureau of Economic Analysis
- (D) Unavailable

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

RATIO OF OUTSTANDING DEBT (UNAUDITED)

LAST TEN FISCAL YEARS

Fiscal Year	Notes Payable	Total Debt	Personal Income	Percentage of Personal Income	Debt per Capita
2009	\$ 5,269,921	\$ 5,269,921	\$ 190,226,395,000	0.0028%	\$ 1.32
2010	4,560,701	4,560,701	196,779,227,000	0.0023%	1.12
2011	3,809,183	3,809,183	183,899,347,000	0.0021%	0.93
2012	3,012,954	3,012,954	204,593,445,000	0.0015%	0.72
2013	2,169,977	2,169,977	224,617,980,000	0.0010%	0.51
2014	8,369,816	8,369,816	230,462,963,000	0.0036%	1.93
2015	6,330,951	6,330,951	252,694,912,000	0.0025%	1.43
2016	4,911,429	4,911,429	249,989,494,000	0.0020%	1.08
2017	3,820,000	3,820,000	247,482,118,000	0.0015%	0.82
2018	1,091,429	1,091,429	(A)	(A)	(A)

Note: Details regarding the Center's outstanding debt can be found in the notes to the financial statements. See Demographic Statistics schedule for personal income and population data. These ratios are calculated using the personal income and population for the prior year calendar year.

(A) Unavailable

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

PRINCIPAL CORPORATE EMPLOYERS IN THE CATCHMENT AREA (UNAUDITED)

CURRENT YEAR AND NINE YEARS AGO

Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Walmart Stores, Inc.	37,000	1	1.19%	17,260	2	0.65%
Memorial Hermann Health Systems	24,108	2	0.78%	-	-	-
H-E-B	23,732	3	0.77%	-	-	-
The University of Texas MD Anderson Cancer Center	21,086	4	0.68%	-	-	-
McDonald's Corp	20,918	5	0.67%	-	-	-
Houston Methodist	20,000	6	0.65%	-	-	-
Kroger Company	16,000	7	0.52%	-	-	-
United Airlines	14,941	8	0.48%	-	-	-
Schlumberger	12,069	9	0.40%	-	-	-
Shell Oil Company	11,507	10	0.37%	-	-	-
Adminstaff Inc.	-	-	-	22,475	1	0.82%
Continental Airlines	-	-	-	15,522	3	0.58%
Exxon Mobil	-	-	-	15,340	4	0.58%
CenterPoint Energy (former Houston Industries)	-	-	-	8,568	5	0.32%
Baker Hughes Inc.	-	-	-	8,500	6	0.32%
National Oilwell Varco	-	-	-	7,400	7	0.28%
AT&T Inc, (former SBC/Southwestern Bell)	-	-	-	7,018	8	0.26%
Chevron?Texaco	-	-	-	7,011	9	0.26%
JP Morgan Chase (former Texas Commerce Bank)	-	-	-	5,900	10	0.22%
	<u>201,361</u>			<u>114,994</u>		

* Based on calendar year.

Source: <http://www.HereisHouston.com/houstons-largest-employers>

Note: Total County Employment for 2017 was an estimated 3,100,007 (based on prior year employment figures) and for 2008 was 2,664,000

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)

LAST TEN FISCAL YEARS

Function/Program	2009	2010	2011	2012
Adult Mental Health	534	482	569	579
IDD	471	520	472	458
Child and Adolescent	192	249	191	200
Crisis Center	277	284	268	284
Administration	203	146	142	148
Total	1,678	1,681	1,641	1,669

2013	2014	2015	2016	2017	2018
591	750	884	889	915	825
430	450	476	421	419	419
194	226	246	245	253	253
269	302	344	371	371	385
150	174	182	190	205	281
<u>1,635</u>	<u>1,902</u>	<u>2,132</u>	<u>2,117</u>	<u>2,164</u>	<u>2,164</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Admissions:				
Mental Health	13,773	18,114	22,758	11,305
IDD	<u>9,777</u>	<u>14,116</u>	<u>9,551</u>	<u>2,241</u>
Total admissions	<u>23,550</u>	<u>32,230</u>	<u>32,309</u>	<u>13,546</u>
Total clients served (unduplicated):				
Mental Health	30,672	30,290	36,112	26,384
IDD	<u>14,348</u>	<u>17,836</u>	<u>16,631</u>	<u>17,185</u>
Total clients served	<u>45,020</u>	<u>48,126</u>	<u>52,743</u>	<u>43,569</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
10,295	12,755	12,646	13,298	11,213	12,861
<u>1,951</u>	<u>2,329</u>	<u>2,272</u>	<u>2,275</u>	<u>2,083</u>	<u>2,277</u>
<u>12,246</u>	<u>15,084</u>	<u>14,918</u>	<u>15,573</u>	<u>13,296</u>	<u>15,138</u>
30,944	26,780	28,197	30,261	33,265	36,221
<u>15,019</u>	<u>17,715</u>	<u>18,222</u>	<u>18,988</u>	<u>20,318</u>	<u>21,904</u>
<u>45,963</u>	<u>44,495</u>	<u>46,419</u>	<u>49,249</u>	<u>53,583</u>	<u>58,125</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

GENERAL FUND REVENUE BY SOURCE OF FUNDS (UNAUDITED)

LAST TEN FISCAL YEARS

Fiscal Year	Local Funds	State Funds	Federal Funds	Total
2009	\$ 57,888,002	\$ 83,161,961	\$ 15,740,531	\$ 143,540,184
2010	59,426,073	95,527,986	17,895,019	156,790,494
2011	62,937,932	94,597,104	11,915,483	172,849,078
2012	64,363,140	89,622,891	9,681,399	169,450,519
2013	67,052,301	94,319,225	13,159,316	163,667,430
2014	66,236,197	104,833,857	42,454,903	174,530,842
2015	70,714,740	102,911,444	45,887,191	213,524,957
2016	69,599,303	110,851,190	49,055,292	219,513,375
2017	75,768,153	105,272,006	59,727,494	240,767,653
2018	75,672,011	109,389,867	69,494,638	254,556,516

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
GENERAL FUND EXPENDITURES BY CATEGORY(UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Mental Health</u>	<u>Intellectual & Developmental Disabilities</u>	<u>Administration</u>	<u>Total</u>
2009	\$ 100,759,324	\$ 32,486,993	\$ 17,105,508	\$ 150,351,825
2010	114,793,836	37,292,849	18,976,445	171,063,130
2011	111,906,905	37,819,392	18,055,619	167,781,916
2012	113,918,759	34,616,488	17,534,335	166,069,582
2013	120,985,289	34,821,433	17,432,945	173,239,667
2014	141,307,371	36,663,301	25,964,167	203,934,839
2015	160,659,800	37,534,988	33,128,846	231,323,634
2016	177,790,941	35,208,003	16,001,767	229,000,711
2017	180,229,346	33,728,843	22,056,660	236,014,849
2018	179,460,209	33,710,989	25,096,899	238,268,097

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

CAPITAL ASSETS BY GOVERNMENTAL ACTIVITY (UNAUDITED)

LAST TEN FISCAL YEARS

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Adult Mental Health				
Land	\$ 1,774,221	\$ 1,895,148	\$ 1,895,148	\$ 1,895,148
Buildings and improvements	10,563,939	11,047,650	11,047,650	11,060,635
Equipment and furniture	1,995,971	2,171,348	2,160,381	2,169,897
Vehicles	<u>152,654</u>	<u>129,551</u>	<u>129,551</u>	<u>129,551</u>
Total capital assets for Adult Mental Health	<u>14,486,785</u>	<u>15,243,697</u>	<u>15,232,730</u>	<u>15,255,231</u>
Intellectual & Developmental Disabilities				
Land	870,772	916,080	916,080	916,080
Buildings and improvements	4,781,827	4,963,058	4,963,058	4,980,370
Equipment and furniture	1,452,466	1,453,030	1,462,270	1,469,196
Vehicles	<u>469,777</u>	<u>394,576</u>	<u>394,576</u>	<u>374,226</u>
Total capital assets for Intellectual & Developmental Disabilities	<u>7,574,842</u>	<u>7,726,744</u>	<u>7,735,984</u>	<u>7,739,872</u>
Child and Adolescent				
Land	138,700	174,011	174,011	174,011
Buildings and improvements	2,496,099	2,637,343	2,637,343	2,650,328
Equipment and furniture	<u>705,559</u>	<u>705,833</u>	<u>701,957</u>	<u>705,321</u>
Total capital assets for Child and Adolescent	<u>3,340,358</u>	<u>3,517,187</u>	<u>3,513,311</u>	<u>3,529,660</u>
Crisis Center				
Land	-	-	-	-
Buildings and improvements	2,439,691	2,439,691	2,619,061	2,619,061
Equipment and furniture	573,344	567,247	564,375	566,869
Vehicles	<u>468,553</u>	<u>436,938</u>	<u>436,938</u>	<u>452,679</u>
Total capital assets for Crisis Center	<u>3,481,588</u>	<u>3,443,876</u>	<u>3,620,374</u>	<u>3,638,609</u>
Administration				
Land	436,250	436,250	436,250	436,250
Buildings and improvements	4,033,428	4,033,428	4,033,428	4,033,428
Equipment and furniture	1,991,973	1,992,746	2,861,455	2,984,690
Vehicles	171,925	155,702	173,516	173,516
Intangible assets - software	<u>-</u>	<u>1,365,734</u>	<u>3,113,739</u>	<u>5,102,008</u>
Total capital assets for Administration	<u>6,633,576</u>	<u>7,983,860</u>	<u>10,618,388</u>	<u>12,729,892</u>
Total capital assets	<u>\$ 35,517,149</u>	<u>\$ 37,915,364</u>	<u>\$ 40,720,787</u>	<u>\$ 42,893,264</u>

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$	1,895,148	\$ 1,895,148	\$ 1,895,148	\$ 1,895,148	\$ 1,895,148	\$ 1,895,149
	11,060,635	11,065,800	11,065,800	11,065,800	11,065,800	11,065,800
	1,687,157	1,855,258	1,855,258	2,059,264	2,365,744	2,365,744
	220,527	220,527	220,527	245,114	433,779	470,669
	<u>14,863,467</u>	<u>15,036,733</u>	<u>15,036,733</u>	<u>15,265,326</u>	<u>15,760,471</u>	<u>15,797,362</u>
	916,080	916,080	916,080	916,080	916,080	916,080
	4,980,370	4,980,370	4,980,370	4,980,370	4,980,370	4,980,370
	1,117,907	1,111,807	1,111,807	1,111,807	1,111,807	1,111,807
	<u>428,012</u>	<u>447,510</u>	<u>447,510</u>	<u>211,828</u>	<u>177,939</u>	<u>177,939</u>
	<u>7,442,369</u>	<u>7,455,767</u>	<u>7,455,767</u>	<u>7,220,085</u>	<u>7,186,196</u>	<u>7,186,196</u>
	174,011	174,011	174,011	174,011	174,011	174,011
	2,650,328	2,650,328	2,650,328	2,650,328	2,650,328	2,650,328
	<u>534,677</u>	<u>534,677</u>	<u>534,677</u>	<u>534,677</u>	<u>534,677</u>	<u>534,677</u>
	<u>3,359,016</u>	<u>3,359,016</u>	<u>3,359,016</u>	<u>3,359,016</u>	<u>3,359,016</u>	<u>3,359,016</u>
	-	-	588,825	588,825	588,825	588,825
	2,619,061	2,619,061	3,048,836	5,380,809	5,380,809	5,380,809
	428,072	422,172	422,172	422,172	422,172	422,172
	<u>611,755</u>	<u>746,952</u>	<u>850,104</u>	<u>857,077</u>	<u>756,762</u>	<u>756,762</u>
	<u>3,658,888</u>	<u>3,788,185</u>	<u>4,909,937</u>	<u>7,248,883</u>	<u>7,148,568</u>	<u>7,148,568</u>
	436,250	2,449,346	2,449,346	2,449,346	2,449,346	1,655,596
	4,033,428	11,617,450	21,505,723	22,696,643	22,812,238	16,492,213
	2,563,682	2,865,744	3,762,611	4,024,171	4,421,756	4,543,552
	196,203	214,016	214,016	214,016	180,368	180,368
	<u>5,928,585</u>	<u>6,142,885</u>	<u>6,184,197</u>	<u>6,198,078</u>	<u>-</u>	<u>-</u>
	<u>13,158,148</u>	<u>23,289,441</u>	<u>34,115,893</u>	<u>35,582,254</u>	<u>29,863,708</u>	<u>22,871,729</u>
\$	<u>42,481,888</u>	<u>52,929,142</u>	<u>64,877,346</u>	<u>68,675,564</u>	<u>63,317,959</u>	<u>56,362,871</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**RECONCILIATION OF TOTAL REVENUES TO FOURTH QUARTER FINANCIAL REPORT
(UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2018**

	Revenues			
	Per 4th Quarter Financial Report	Additions	Deletions	Per Audited Financial Statements
Local Revenues				
Harris County	\$ 36,312,876	\$ 62,661	(a) \$ -	(a) \$ 36,375,537
Patient fees and private insurance	9,011,096	-	8,036,142	(a) 974,954
Medicare	1,131,729	-	-	1,131,729
Medicaid	18,054,305	7,707,389	(a) -	(a) 25,761,694
ICF/ID, HCS, and Texas Home Living	4,302,975	-	-	4,302,975
Administrative claiming	6,810,281	-	(a) 6,298,044	(a) 512,237
Investment earnings	936,214	-	31,296	904,918
Miscellaneous	31,949,101	-	(a) 26,241,134	(a) 5,707,967
Total Local Sources	<u>108,508,577</u>	<u>7,770,050</u>	<u>40,606,616</u>	<u>75,672,011</u>
State General Revenue	107,263,686	-	2,842,115	(a) 104,421,571
Other State Sources:				
Early Childhood Intervention	3,436,415	106,369	2,654,740	(a) 888,044
Department of Assistive and Rehabilitative Services-Rehab	440,666	-	-	440,666
Texas Council on Offenders with Mental Impairments	3,193,586	-	-	3,193,586
Texas Department of Criminal Justice	446,000	-	-	446,000
Total Other State Sources	<u>7,516,667</u>	<u>106,369</u>	<u>2,654,740</u>	<u>4,968,296</u>
Total State Revenue	<u>114,780,353</u>	<u>106,369</u>	<u>5,496,855</u>	<u>109,389,867</u>
Federal Sources:				
Mental Health Block Grant	3,081,827	62,003	-	3,143,830
Mental Health Block Grant - Community Support Services	708,037	-	-	708,037
Social Services Block Grant - Title XX	632,375	-	21,696	610,679
TANF to Title XX Block Grant	1,499,692	-	494,902	1,004,790
DSHS Disaster Assistance	3,332,596	-	-	3,332,596
Substance Abuse Prevention & Treatment Block Grant	784,763	-	-	784,763
Enhanced Community Coordination	340,625	-	-	340,625
MH Block Homeless PATH Grant	-	1,059,278	(a) -	1,059,278
Early Childhood Intervention	-	3,027,050	(a) -	3,027,050
Delivery Service Reform Incentive Payments	48,372,621	-	-	48,372,621
Administrative claiming	-	6,893,523	(a) -	6,893,523
Transitional Housing Program - Safe Havens	216,846	-	-	216,846
Total Federal Sources	<u>58,969,382</u>	<u>11,041,854</u>	<u>516,598</u>	<u>69,494,638</u>
Total Revenue	<u>\$ 282,258,312</u>	<u>\$ 18,918,273</u>	<u>\$ 46,620,069</u>	<u>\$ 254,556,516</u>

(a) Revenue reclassification

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**RECONCILIATION OF TOTAL EXPENDITURES TO FOURTH QUARTER FINANCIAL REPORT
(UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2018**

Object of Expenditure	Expenditures			Per Audited Financial Statements
	Per Center Report	Additions	Deletions	
Salaries	\$ 113,867,664	\$ 17,375,767	(a) \$ -	\$ 131,243,431
Employee Benefits	29,128,540	4,429,368	(a) -	(a) 33,557,908
Professional and Consultant Services	10,236,395	437,041	-	10,673,436
Training and Travel	2,962,085	94,041	(a) -	(b) 3,056,126
Debt Service	-	1,170,129	-	1,170,129
Capital Outlay	81,058	2,019,821	(b) -	2,100,879
Non-Capitalized Equipment	722,437	484,313	(a) -	1,206,750
Pharmaceutical Expense (medication and script process)	1,548,309	129,647	(a) -	1,677,956
Pharmaceutical Expense (PAP only)	23,398,367	-	(b) 23,398,367	(a) -
Other Operating Expense	53,809,363	354,474	(a) 582,355	53,581,482
Allocation of general administration to strategies	17,237,992	-	17,237,992	-
Allocation of authority administration to strategies	<u>7,521,062</u>	<u>-</u>	<u>7,521,062</u>	<u>-</u>
Total Expenditures	<u>\$ 260,513,272</u>	<u>\$ 25,912,246</u>	<u>\$ 48,157,421</u>	<u>\$ 238,268,097</u>

(a) Audit adjustment

(b) Expenditure reclassification

(c) Rounding Adjustment

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
SUMMARY SCHEDULE OF MENTAL HEALTH ADULT, MENTAL HEALTH CHILDREN,
AND INTELLECTUAL AND DEVELOPMENTAL DISABILITIES EXPENDITURES BY SERVICE CATEGORY AND
SOURCE OF FUNDS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2018

Service Categories (by Funding Source)	Mental Health Adult	Mental Health Children	Intellectual & Developmental Disabilities	Total	Approved Budget	Variance
General Revenue - Mental Health	\$ 53,112,328	\$ 16,469,655	\$ -	\$ 69,581,983	\$ 71,606,019	\$ 2,024,036
General Revenue - Intellectual & Developmental Disabilities	-	-	10,220,288	10,220,288	10,220,288	-
General Revenue - Permanency Planning	-	-	134,033	134,033	134,033	-
Community Hospitals	24,485,267	-	-	24,485,267	24,636,496	151,229
YES Waiver	-	1,194,837	-	1,194,837	776,015	(418,822)
ICF-MR	-	-	1,732,659	1,732,659	1,742,815	10,156
Texas Home Living Waiver	-	-	1,375,479	1,375,479	1,475,355	99,876
MH Block Homeless PATH Grant	1,059,278	-	-	1,059,278	1,130,299	71,021
Title XX Social Services Block Grant	610,679	-	-	610,679	626,452	15,773
Mental Health Block Grant	3,143,830	-	-	3,143,830	3,081,804	(62,026)
Mental Health Block Grant - CSC	-	708,037	-	708,037	916,668	208,631
TANF to Title XX Block Grant	479,143	525,647	-	1,004,790	1,499,692	494,902
Substance Abuse Preventionh & Treatment Block Grant	784,763	-	-	784,763	843,151	58,388
Texas DSHS Disaster Assistance	3,332,596	-	-	3,332,596	3,951,844	619,248
Medicaid	5,034,543	-	8,459,642	13,494,185	15,977,528	2,483,343
Medicaid Administrative Claiming	5,605,598	915,615	372,310	6,893,523	6,169,164	(724,359)
HUD - Supportive Housing - Safe Haven	216,846	-	-	216,846	371,739	154,893
Delivery System Reform Incentive Payments	30,548,614	3,052,447	4,440,701	38,041,762	33,823,540	(4,218,222)
Enhanced Community Coordination	-	-	340,625	340,625	346,958	6,333
Texas Department of Criminal Justice	446,000	-	-	446,000	446,000	-
DARS-Autism	-	-	440,666	440,666	550,000	109,334
Early Childhood Intervention	-	-	3,915,094	3,915,094	3,900,994	(14,100)
Texas Council on Offenders with Mental Impairments	2,647,002	546,584	-	3,193,586	3,125,582	(68,004)
Required Local Match	8,030,790	-	1,041,815	9,072,605	-	(9,072,605)
Additional Local Funds	35,511,767	1,367,583	5,965,336	42,844,686	63,254,704	20,410,018
Total Expended Sources	\$ 175,049,044	\$ 24,780,405	\$ 38,438,648	\$ 238,268,097	\$ 250,607,140	\$ 12,339,043

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**SCHEDULE OF REVENUES AND EXPENDITURES BY SOURCE OF FUNDS
GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2018**

Fund Source	Total Revenue	Total Mental Health Adult Expenditures	Total Mental Health Children Expenditures	Total Intellectual & Developmental Disabilities Expenditures	Total Center Expenditures	Excess Revenues Over Expenditures
Objects of Expense:						
Salaries	\$ 131,244,449	\$ 92,064,922	\$ 16,728,390	\$ 22,451,137	\$ 131,244,449	\$ -
Employee Benefits	33,549,411	22,796,871	4,165,837	6,586,703	33,549,411	-
Professional and Consultant Fees	10,673,436	5,975,833	382,976	4,314,627	10,673,436	-
Training and Travel	3,056,126	1,608,819	519,774	927,533	3,056,126	-
Debt Service	1,170,128	859,660	121,697	188,771	1,170,128	-
Capital Outlay	2,683,965	1,808,284	286,903	588,778	2,683,965	-
Pharmaceutical Expense (medication and script process)	1,658,902	1,655,229	-	6,130	1,661,359	-
Other Operating Expense	54,231,680	48,279,426	2,574,828	3,374,969	54,229,223	-
Total Expenditures	\$ 238,268,097	\$ 175,049,044	\$ 24,780,405	\$ 38,438,648	\$ 238,268,097	\$ -
Method of Finance:						
General Revenue - Mental Health	\$ 69,581,983	\$ 53,112,328	\$ 16,469,655	\$ -	\$ 69,581,983	\$ -
General Revenue - Intellectual & Developmental Disabilities	10,354,321	-	-	10,354,321	10,354,321	-
Community Hospitals	24,485,267	24,485,267	-	-	24,485,267	-
YES Waiver	1,194,837	-	1,194,837	-	1,194,837	-
ICF-MR	1,732,659	-	-	1,732,659	1,732,659	-
Texas Home Living Waiver	1,375,479	-	-	1,375,479	1,375,479	-
MH Block Homeless PATH Grant	1,059,278	1,059,278	-	-	1,059,278	-
Title XX Social Services Block Grant	610,679	610,679	-	-	610,679	-
Mental Health Block Grant	3,851,867	3,143,830	708,038	-	3,851,867	-
TANF to Title XX	1,004,790	479,143	525,647	-	1,004,790	-
Substance Abuse Preventionh & Treatment Block Grant	784,763	784,763	-	-	784,763	-
Texas DSHS Disaster Assistance	3,332,596	3,332,595	-	-	3,332,596	-
Medicaid	7,726,951	5,034,543	-	2,692,408	7,726,951	-
Medicaid Administrative Claiming	6,893,523	5,605,598	915,615	372,310	6,893,523	-
HUD - Supportive Housing - Safe Haven	216,846	216,846	-	-	216,846	-
Delivery System Reform Incentive	48,372,621	25,355,646	3,052,447	9,633,669	38,041,762	10,330,859
Enhanced Community Coordination	340,625	-	-	340,625	340,625	-
Texas Department of Criminal Justice	446,000	446,000	-	-	446,000	-
DARS-Autism	440,666	-	-	440,666	440,666	-
Early Childhood Intervention	3,915,094	-	-	3,915,094	3,915,094	-
Texas Council on Offenders with Mental Impairments	3,193,586	2,647,002	546,584	-	3,193,586	-
Required Local Match	9,072,605	8,030,790	-	1,041,815	9,072,605	-
Additional Local Funds	54,435,447	40,704,736	1,367,582	6,405,569	48,477,887	5,957,560
Total Expended Sources	\$ 254,556,516	\$ 175,049,044	\$ 24,780,405	\$ 38,438,648	\$ 238,268,097	\$ 16,288,419

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**SCHEDULE OF MENTAL HEALTH ADULT EXPENDITURES BY SERVICE CATEGORY AND SOURCE
OF FUNDS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2018**

Service Categories (by Funding Source)	Other Medications (Pills & Injections)	Medication Related Services (EKG & Labs)	Medicaid Type Services (Both Eligible and Ineligible)	Value Added Services	Screening & Eligibility
General Revenue - Mental Health	\$ 1,276,801	\$ 3,558,482	\$ 14,618,934	\$ 69,981	\$ 1,349,757
Community Hospitals	-	-	-	-	-
MH Block Homeless PATH Grant	-	-	1,059,278	-	-
Title XX Social Services Block Grant	-	-	610,679	-	-
Mental Health Block Grant	-	-	3,143,830	-	-
TANF to Title XX Block Grant	-	-	236,142	-	-
Substance Abuse Prevention & Treatment Block Grant	-	-	784,763	-	-
Medicaid	-	-	5,034,543	-	-
Medicaid Administrative Claiming	-	-	5,605,598	-	-
HUD - Supportive Housing - Safe Haven	-	-	216,846	-	-
Delivery System Reform Incentive	-	-	23,227,711	-	-
Texas Department of Criminal Justice	22,300	4,460	419,240	-	-
Texas Council on Offenders with Mental Impairments	166,700	-	2,480,302	-	-
Required Local Match	-	-	5,888,852	-	-
Additional Local Funds	-	111,053	6,227,660	-	-
Total Expended Sources	\$ 1,465,801	\$ 3,673,995	\$ 69,554,378	\$ 69,981	\$ 1,349,757

All Other Outpatient Services	Crisis Outpatient	Crisis, Transitional, and Intensive Ongoing Services - Residential Inpatient	Crisis, Transitional, and Intensive Ongoing Services - Outpatient	Crisis, Transitional, and Intensive Ongoing Services - Screening & Eligibility	Crisis, Transitional, and Intensive Ongoing Services - Other	Community Hospital (Inpatient Only)	Other Services Non- Priority Population	Total
\$ 897,223	\$ 4,506,946	\$ 5,298,142	\$ 5,912,018	\$ 1,314,696	\$ 2,273,088	\$ 12,036,260	\$ -	\$ 53,112,328
-	-	-	-	-	-	24,485,267	-	24,485,267
-	-	-	-	-	-	-	-	1,059,278
-	-	-	-	-	-	-	-	610,679
-	-	-	-	-	-	-	-	3,143,830
-	-	-	243,001	-	-	-	-	479,143
-	-	-	-	-	-	-	-	784,763
-	-	-	-	-	-	-	-	5,034,543
-	-	-	-	-	-	-	-	5,605,598
-	-	-	-	-	-	-	-	216,846
-	-	-	7,320,903	-	-	-	-	30,548,614
-	-	-	-	-	-	-	-	446,000
-	-	-	-	-	-	-	-	2,647,002
-	-	-	-	1,747,040	394,898	-	-	8,030,790
-	-	1,518,042	15,778,232	-	-	5,406,764	6,470,016	35,511,767
<u>\$ 897,223</u>	<u>\$ 4,506,946</u>	<u>\$ 6,816,184</u>	<u>\$ 29,254,154</u>	<u>\$ 3,061,736</u>	<u>\$ 2,667,986</u>	<u>\$ 41,928,291</u>	<u>\$ 9,802,612</u>	<u>\$ 175,049,044</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**SCHEDULE OF MENTAL HEALTH CHILDREN EXPENDITURES BY SERVICE CATEGORY AND SOURCE OF FUNDS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2018**

Service Categories (by Funding Source)	Other Medications (Pills & Injections)	Medicaid Type Services (Both Eligible and Ineligible)	All Other Outpatient Services	Crisis Outpatient	Crisis Screening & Eligibility	Other Services Non-Priority Population	Total
General Revenue - Mental Health	\$ 35,540	\$ 15,914,317	\$ 6,476	\$ 512,067	\$ 1,255	\$ -	\$ 16,469,655
New Generation Medications	-	-	-	-	-	-	-
Mental Health Block Grant	-	708,037	-	-	-	-	708,037
TANF to Title XX Block Grant	-	525,647	-	-	-	-	525,647
YES Waiver	-	1,194,837	-	-	-	-	1,194,837
Medicaid Administrative Claiming	-	915,615	-	-	-	-	915,615
Delivery System Reform Incentive	-	3,052,447	-	-	-	-	3,052,447
Texas Council on Offenders with Mental Impairments	-	546,584	-	-	-	-	546,584
Additional Local Funds	<u>276,679</u>	<u>1,090,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,367,583</u>
Total Expended Sources	<u>\$ 312,219</u>	<u>\$ 23,948,388</u>	<u>\$ 6,476</u>	<u>\$ 512,067</u>	<u>\$ 1,255</u>	<u>\$ -</u>	<u>\$ 24,780,405</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**SCHEDULE OF INTELLECTUAL & DEVELOPMENTAL DISABILITIES EXPENDITURES BY SERVICE CATEGORY AND SOURCE OF FUNDS
(UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2018**

Service Categories (by Funding Source)	Assessment, Eligibility Determination	Service Coordination	Independent Living, Community Support	Respite	Day Habilitation	Specialized Therapies	ID Residential Services	Other Services Non- Priority Population	Total
General Revenue - Intellectual & Development Disabilities	\$ 2,094,155	\$ 4,254,396	\$ 1,266,673	\$ 2,434,178	\$ -	\$ 39,714	\$ 131,172	-	\$ 10,220,288
General Revenue - Permanency Planning	-	134,033	-	-	-	-	-	-	134,033
ICF-MR	-	-	22,770	-	-	114,043	1,595,846	-	1,732,659
Texas Home Living Waiver	-	-	508,388	-	304,282	562,809	-	-	1,375,479
Medicaid	37,668	8,421,974	-	-	-	-	-	-	8,459,642
Medicaid Administrative Claiming	-	372,310	-	-	-	-	-	-	372,310
Delivery System Reform Incentive Payments	-	-	-	-	-	-	-	4,440,701	4,440,701
DARS-Autism	-	-	-	-	-	-	-	440,666	440,666
Early Childhood Intervention	-	-	-	-	-	-	-	3,915,094	3,915,094
Enhanced Community Coordination	-	340,625	-	-	-	-	-	-	340,625
Required Local Match	-	206,557	175,951	23,258	-	361,864	274,185	-	1,041,815
Additional Local Funds	159,310	1,143,782	139,002	878,304	-	-	-	3,644,938	5,965,336
Total Expended Sources	\$ 2,291,133	\$ 14,873,677	\$ 2,112,784	\$ 3,335,740	\$ 304,282	\$ 1,078,430	\$ 2,001,203	\$ 12,441,399	\$ 38,438,648

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

SCHEDULE OF LEASES IN EFFECT (UNAUDITED)

FOR THE YEAR ENDED AUGUST 31, 2018

Lessor	Address	Monthly Amount 2018	Beginning Date	Termination Date
City of Houston, Multiservice	4014 Market - Houston, TX	\$161	5/26/2018	5/26/2019
City of Houston, Multiservice	7037 Capital, Suite 103	\$298	5/13/2018	5/13/2019
City of Houston, Multiservice	170 Height Blvd.	\$331	5/26/2018	5/26/2019
City of Houston, Multiservice	6719 West Montgomery - Houston, TX	\$256	12/1/2017	11/30/2018
Harris County Facilities & Property	5518 Jackson St.- Houston, TX 3600 S. Gessner, Suite 110 - Houston, TX	\$50/yr	5/1/2008	4/30/2018
Plazer Properties, Ltd.		\$19,315 \$19,607	11/10/2016 11/10/2019	11/9/2019 11/9/2021
Spring Branch District Plaza II	9610 Long Point, Suite 351 - Houston, TX	\$214	11/1/2017	9/30/2018
Ashford Houston Investments	1500 Dairy Ashford, Ste 448 - Houston, TX 7171 Hwy 6 N, Ste 206 - Houston, TX	\$898	9/1/2018	8/31/2019
Gillett Properties, Ltd.	2550 North Loop West - Houston, TX	\$949	6/1/2018	5/31/2019
Moana, LP (Oxley Leasing)	Houston, TX	\$900	7/1/2018	8/31/2018
Pasadena Cottages	2212 Wichita - Pasadena, TX 3550 West Dallas - Houston, TX	\$1,404	Month-to-month	Month-to-month
The Center	1502 Taub Loop - Houston, TX	\$350	9/1/2018	8/31/2019
NPC	3540 West Dallas - Houston, TX	\$1/year	PP for 25 Year	2024
Harris County Jail		Free	Month-to-month	Month-to-month

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)

FOR THE YEAR ENDED AUGUST 31, 2018

Property Insurance

Insurer: Texas Council Risk Management Fund

Locations:	Policy Period	Insurance Amount		
		Building	Contents	Total
2001 Cedar Bayou	9/1/2017-9/1/2018	\$ 1,120,389	\$ -	\$ 1,120,389
6125 Hillcroft	9/1/2017-9/1/2018	1,320,078	74,521	1,394,599
7200 N. Loop East	9/1/2017-9/1/2018	2,151,683	61,799	2,213,482
3737 Dacoma	9/1/2017-9/1/2018	4,750,230	561,785	5,312,015
11511 Bob White	9/1/2017-9/1/2018	226,095	144,369	370,464
526 Applewhite	9/1/2017-9/1/2018	201,243	21,750	222,993
2627 Caroline	9/1/2017-9/1/2018	3,915,209	398,622	4,313,831
1313 Dennis	9/1/2017-9/1/2018	146,574	6,181	152,755
3550/3600/3630 West Dallas	9/1/2017-9/1/2018	5,181,702	310,557	5,492,259
1215 Dennis	9/1/2017-9/1/2018	1,057,950	11,421	1,069,371
1502 Ben Taub Loop	9/1/2017-9/1/2018	5,500	311,691	317,191
7011 Southwest Fwy.	9/1/2017-9/1/2018	12,563,755	49,932	12,613,687
7033 Southwest Fwy.	9/1/2017-9/1/2018	1,012,142	6,084	1,018,226
612A-E Branard	9/1/2017-9/1/2018	839,112	6,397	845,509
6607 Stonechase	9/1/2017-9/1/2018	178,707	1,000	179,707
6032 Airline Dr.	9/1/2017-9/1/2018	1,323,378	142,881	1,466,259
5518 Jackson	9/1/2017-9/1/2018	377,378	21,420	398,798
2800 S. McGregor	9/1/2017-9/1/2018	-	50,095	50,095
6603 Barbarella	9/1/2017-9/1/2018	241,792	24,133	265,925
5901 Long Dr.	9/1/2017-9/1/2018	4,730,722	671,031	5,401,753
5705 Warm Springs	9/1/2017-9/1/2018	260,482	16,175	276,657
6805 Oak Village Dr.	9/1/2017-9/1/2018	621,702	61,799	683,501
1200 Baker Street	9/1/2017-9/1/2018	-	71,541	71,541
9610 Long Point, Suite 351	9/1/2017-9/1/2018	-	2,868	2,868
1500 S. Dairy Ashford, Suite 448	9/1/2017-9/1/2018	-	5,355	5,355
817 Southmore Ave, Suite 150	9/1/2017-9/1/2018	-	10,200	10,200
9401 Southwest Fwy.	9/1/2017-9/1/2018	48,872,997	5,116,550	53,989,547
2505/2505-A /2507 Southmore Blvd	9/1/2017-9/1/2018	1,702,329	120,000	1,822,329
3600 S. Gessner, Suite 110	9/1/2017-9/1/2018	-	37,965	37,965
6719 W. Montgomery Rd., Rm 208/209	9/1/2017-9/1/2018	-	1,000	1,000
2100 Shadowdale Dr	9/1/2017-9/1/2018	-	15,000	15,000
4949 Burke Rd	9/1/2017-9/1/2018	-	15,000	15,000

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (Continued)

FOR THE YEAR ENDED AUGUST 31, 2018

Property

Insurer:	Frost Insurance		
Policy Period:	9/01/17 - 9/01/18		
	Property including Boiler/Machinery		\$ 402,743
	Building/building personal property total		
	insurable value	\$ 102,053,979	
	\$1,000 deductible; wind deductible 1% of total insurable value, subject of \$25,000 per building, \$50,000 per aggregate occurrence		

General Liability

Insurer:	Frost Insurance		
Policy Period:	9/01/17 - 9/01/18		
	General Liability		2,341
	Equity Credit Applied	\$ 5,020	
	Contribution adjustment	\$ 100	
	Including all programs and services		

Professional Liability

Insurer:	Frost Insurance		
Policy Period:	9/01/17 - 9/01/18		
	Professional Liability		72,789
	Equity Credit Applied	\$ 16,387	
	Contribution adjustment	\$ 1,600	

Auto Liability

Insurer:	Frost Insurance		
Policy Period:	9/01/17 - 9/01/18		
	Auto Liability		85,731
	Auto Physical Damage		27,551
	Equity Credit Applied	\$ 18,350	
	Contribution adjustment	\$ 2,000	

Workers Compensation

Insurer:	Frost Insurance		
Policy Period:	9/01/17 - 9/01/18		
	Workers Compensation		256,298
	Equity Credit Applied	\$ 54,830	Texas
	Retention	\$100,000/\$300,000	100,000
	Maximum Projected Retention	\$ 300,000	300,000
	Payroll Projected	\$ 126,745,600	Yes

Excess Liability

Insurer:	Frost Insurance		
Policy Period:	9/01/17 - 9/01/18		
	Excess Liability		90,737

Directors & Officers Liabilities

Insurer:	Frost Insurance		
Policy Period:	9/01/17 - 9/01/18		
	Directors & Officers Liabilities		272,713
	Equity Credit Applied	\$ 56,530	
	Contribution adjustment	\$ 6,300	

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (Continued)

FOR THE YEAR ENDED AUGUST 31, 2018

Terrorism Coverage

Not available from TCRMF

Total Estimated Premium

		\$	1,183,352
	Total Equity Credit Applied	\$	51,117
	Total Contribution adjustment	\$	10,000

Crime

Insurer:	Frost Insurance		
Policy Period:	9/01/17 - 9/01/18		
	Estimated Premium		2,840
	Employee Theft	\$	600,000
	Forgery on alterations	\$	200,000
	Theft on Premise	\$	25,000
	Theft in Transit	\$	25,000
	Computer Fraud	\$	100,000
	Money Orders & Counterfeit	\$	25,000
	Funds Transfer Fraud	\$	100,000

Fiduciary Liability

Insurer:	Frost Insurance		
Policy Period:	9/01/17 - 9/01/18		
	Annual Premium		6,450
	Limit of Liability	\$	3,000,000

Notary E&O

Insurer:	Frost Insurance		
Policy Period:	9/01/17 - 9/01/18		
	Annual Premium		1,446
	33 Notaries		

Cybersecurity Liability

Insurer:	Frost Insurance		
Policy Period:	04/24/18 - 04/23/19		
	Cybersecurity Liability		
	Annual Premium		43,000

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (Continued)

FOR THE YEAR ENDED AUGUST 31, 2018

Flood

Insurer:	Frost Insurance	
Policy Period:	9/01/17 - 9/01/18	
	Flood	
	Premium	\$ 25,628
	Location:	
	7200 North Loop East	
	11511 Bob White Road	
	Carrier: Breckenridge/Liberty	
	Policy Term: 03/28/2018-19	
	Premium	810
	Location:	
	1200 Baker Street	
	6300 Chimney Rock	
	Carrier: Breckenridge/Liberty	

Total Crime and Fiduciary Premiums	80,174
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Residential Program

Insurer:	Frost Insurance	
Policy Period:	9/01/17 - 9/01/18	
	Villas at Bayou Park, Inc.	
	First Specialty Commercial Package: Effective 5/15/18-19	12,834
	Travelers Directors & Officers Liability - Effective 02/19/18-19	1,218
	Hartford Insurance Fidelity Bond-Effective 08/15/18-19	339
	Total Expiring Premium: \$13,930	
	Acres Homes Garden, Inc.	
	First Specialty Commercial Package - Effectove 5/15/18-19	12,680
	Travelers Directors & Officers Liability: \$Ppending - Effective 10/18/18-19	
	Hartford Insurance Fidelity Bond: Effective 05/12/18-19	211
	Pear Grove. Inc.	
	First Specialty Commercial Package - Effectove 5/15/18-19 / Premium	-
	Travelers Directors & Officers Liability / \$ Pending	
	Total Current Premium Pending	-
	Total Expiring Premium: \$14,413	
	Pecan Village, Inc.	
	First Specialty Commercial Package - Effectove 5/15/18-19	13,213
	Travelers Directors & Officers Liability / Effective 3/28/18-19	1,118
	Flood Insurance (Buildings 1 to 4):	4,024
	Total Expiring Premium: \$18,092	
	Villages of Hickory Glen	
	Lexington Insurance - Commercial Package: Effective 05/15/18-19	-
	Westchester Fire Ins. Co. - Directors & Officers Liability / Effective 01/01/18-19	-
	Pasadena Cottages, Inc.	
	Philadelphia Insurance - Commercial Package: Effective 02/08/18-19	7,197
	USLI - Directors & Officers Liability / Effective 02/08/18-19	1,342
	Wright Flood Insurance: Effectove 11/04/18-19	689
	Total Current Premium: \$9,228	54,865

Grand Total	\$ 1,318,391
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THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

SCHEDULE OF BOND COVERAGE (UNAUDITED)

FOR THE YEAR ENDED AUGUST 31, 2018

Surety Company	Scope of Coverage	Amount
Great American Insurance Company 9/1/2017 - 9/1/2018	Commercial Crim Policy	
	Public Employee Dishonesty Per Loss	\$ 600,000
	5,000 Single Loss Retention	
	Forgery Alterations	200,000
	Deductible	2,500
	Money and Securities - On Premise	25,000
	Deductible	2,500
	Money and Securities - Messenger	25,000
	Deductible	2,500
	Computerr Fraud	25,000
	Deductible	2,500
	Money Order and Conterfeit Currency	25,000
	Deductible	2,500
	Property of Clients (Theft by Employees)	Not Covered
	Deductible	2,500
	Funds Transfer Fraud	100,000
Deductible	5,000	
Claims Expense	5,000	
Frost Insurance 9/1/2017 - 9/1/2018	Errors and Omissions - Notary	
	Limit of Liability (33 Notaries)	2,346

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES
AND CONTRACTED PROVIDER SERVICES (UNAUDITED)**

FOR THE YEAR ENDED AUGUST 31, 2018

NAME	CITY	TYPE OF SERVICE	AMOUNT
Abdullah, Haneef	Houston, TX	Respite Care Services	\$ 7,731
Adan, Amada	Houston, TX	Respite Care Services	10,797
Affordable Dental	Richmond, TX	Dental Services	1,000
Almanza, Elsa	Houston, TX	Respite Care Services	15,147
ANC-D Psychological Services	Houston, TX	YES Waiver Services	55,056
Anderson, Ta'keia	Houston, TX	Respite Care Services	5,108
Anthony, Nadine	Houston, TX	Respite Care Services	1,049
ARC of Greater Houston	Houston, TX	Vocational and Employment Training	191,416
Barden, Jorden	San Antonio, TX	Respite Care Services	5,850
Batiste, Juanita	Houston, TX	Respite Care Services	3,074
Bay Area Recovery Center	Dickinson, TX	Substance Abuse Treatment	67,893
Baylor College of Medicine	Houston, TX	Residency Program Training	52,583
Baylor College of Medicine/Family Community Medicine	Houston, TX	Medical Consultations/EKG Services	112,808
Behavioral Health Facility	Tuscaloosa, AL	Staff Safety Review	2,000
Beltran, Guadalupe	Houston	Respite Care Services	4,212
Bradley, Deborah	Katy, TX	Respite Care Services	9,792
Brown, Tanitra	Houston, TX	Respite Care Services	12,510
Brown, Tarshyra	Houston, TX	Respite Care Services	7,623
Button's Inventory Service, Inc.	Houston, TX	Pharmacy Inventory Service	33,988
Cabral, Armando	Houston, TX	Respite Care Services	11,826
Callan, Elizabeth	Houston, TX	Respite Care Services	13,851
Canales, Maria	Houston, TX	Respite Care Services	5,769
Cardenas, Maribel	Houston, TX	Respite Care Services	6,030
Center for Recovery and Wellness Resources	Houston, TX	Housing/Transition Services	15,224
Centre Technologies	Houston, TX	Software Support	29,850
Cervantes, Maria	Houston, TX	Respite Care Services	15,948
Chen, Ke	Katy, TX	Respite Care Services	6,183
Cheyenne Center	Houston, TX	Housing/Transition Services	90,805
Citrus Medical	Richmond, TX	YES Waiver Services	37,983
Coalition for the Homeless	Houston, TX	Advocacy Services	10,531
Communication Access Ability Group	Houston, TX	Interpreting Services	25,439
Consilium Staffing, LLC	Irving, TX	Temporary Staffing	36,320
Copeland, Ambur	Houston, TX	Respite Care Services	17,829
CTRL Delivery & Transportation, Inc.	Houston, TX	Transportation Services	24,191
Dalton, Takahata	Houston, TX	Respite Care Services	24,946
Data Shredding Services of Texas	Houston, TX	Document Destruction	20,489
Developing by Design, LLC	Afton, OK	Day Habilitation Services	8,284
DISA, Inc. (FKA Forward Edge)	Houston, TX	Pre-employment Testing	29,750

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES
AND CONTRACTED PROVIDER SERVICES (UNAUDITED) (Continued)**

FOR THE YEAR ENDED AUGUST 31, 2018

NAME	CITY	TYPE OF SERVICE	AMOUNT
Discovery Benefits, Inc.	Fargo, ND	Employee Benefits Administration	\$ 33,855
Duong, Diana	Houston, TX	Respite Care Services	12,960
Easter Seals of Greater Houston, Inc.	Bellaire, TX	Respite Services	1,874,237
El Centro de Corazon	Houston, TX	Medical Services	96,955
Elite Personnel Consultants	Houston, TX	Temporary Staffing	249,913
Flanagan, Jerome	Houston, TX	YES Waiver Services	17,633
Flannel, Annette	Missouri City, TX	Respite Care Services	15,341
Forward Edge, Inc.	Pasadena, TX	Pre-employment Testing	1,992
Gasper, Miryam	Houston, TX	Respite Care Services	1,000
Gearing, Robin Edward	Houston, TX	Service Utilization/Effectiveness Consulting	12,438
Gil, Maria	Katy, TX	Respite Care Services	11,498
Hall, Latoya	Houston, TX	Respite Care Services	8,892
Harris County Psychiatric Center	Houston, TX	Competency Evaluation and Restoration	4,108,976
Healthcare for the Homeless	Houston, TX	Behavioral Health Services - Jail Diversion	911,225
Healthcare for the Homeless	Houston, TX	Crisis/Peer Support Services	4,167
Hernandez, Josefa	Houston, TX	Respite Care Services	12,222
Hill-LeBlanc, Leona	Houston, TX	Respite Care Services	1,836
Hinson, Patrick	Katy, TX	Respite Care Services	1,620
Houston Discovery Community	Houston, TX	Co-Occurring Disorders Services	91,289
Hua, Nancy	Houston, TX	Respite Care Services	5,535
Hubbard, Olivia	Houston, TX	Respite Care Services	8,505
Huff, Stephanie	Houston, TX	Respite Care Services	8,982
Indigo Beam, LLC	Houston, TX	Project Management Services	10,000
Jack, John	Friendswood, TX	YES Waiver Services	13,138
Jackson and Coker Locum Tenens	Atlanta, GA	Temporary Staffing - Psychiatrists	143,332
Johnson, Deranda	Houston, TX	Respite Care Services	16,317
Kellies, Sitting Services, Inc.	Houston, TX	Respite Services	5,508
KES Care Learning and Developmental Center	Houston, TX	Day Habilitation Services	3,916
Knight, Delores	Houston, TX	Respite Care Services	12,717
Koller, Tracy	Joshua, TX	Leadership Development and Training Services	2,135
Language Line Services	Monterrey, CA	Interpreting Services	85,239
Lau, Emma	Richmond, TX	Respite Care Services	7,092
Lau, Samson	Richmond, TX	Respite Care Services	2,520
Laval, Ramon, Ph.D.	Houston, TX	Psychologist	78,650
Lemus, Katia	Houston, TX	Respite Care Services	14,202
Lewis, Earline	Houston, TX	Respite Care Services	3,852
Livingmind Project, Inc.	Houston, TX	Day Habilitation Services	2,677
Lockwood Dental Group	Houston, TX	Dental Services	1,000
Locum Tenens Holdings, LLC	Atlanta, GA	Temporary Staffing - Psychiatrists	74,275
Lozano-Tello, Elsa	Houston, TX	Respite Care Services	11,853
Lum, Nga	Pearland, TX	Respite Care Services	3,420
Mann, Thomas H., Ph.D.	Richmond, TX	Psychologist	6,750
Martinez, Peter	Kingwood, TX	Respite Care Services	1,346
Masterword Services, Inc.	Houston, TX	Interpreting Services	313,816
Mental Health America of Greater Houston	Houston, TX	Oversight of Peer-to-Peer Counseling	91,312
Miles, Jennifer	Pearland, TX	Respite Care Services	6,336
Momentum Behavioral Health	Houston, TX	YES Waiver Services	73,135
Morales, Laura	Houston, TX	Speech/Language Pathologist	19,432
Moran, Ashonti	Houston, TX	Respite Care Services	7,326

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**SCHEDULE OF PROFESSIONAL AND CONSULTING FEES
AND CONTRACTED PROVIDER SERVICES (UNAUDITED) (Continued)**

FOR THE YEAR ENDED AUGUST 31, 2018

NAME	CITY	TYPE OF SERVICE	AMOUNT
Morgan & Associates Dental	Houston, TX	Dental Services	\$ 7,871
Muhammad, Nettie	Houston, TX	YES Waiver Services	20,672
Myers, Trenice	Houston, TX	Respite Care Services	12,245
Naftis, Mathew, DDS	Houston, TX	Dental Services	1,000
NAMI Greate Houston	Houston, TX	Consultation Services	11,000
National Council for Behavioral Health	Warrensville Heights, OH	Mental Health First Aid Training	3,924
Neal, Shallaya	Houston, TX	YES Waiver Services	8,750
Ngo, Bob	Houston, TX	Respite Care Services	7,056
Nguyen, Mai-Houng	Houston, TX	Respite Care Services	10,548
Nightingale Adult Day Center	Houston, TX	Interpreting Services	37,421
Nixon Adult Day Center	Houston, TX	Respite and Day Habilitation Services	20,609
Pace Opportunity Center, Inc.	Houston, TX	Day Habilitation Services	7,057
Parker Place Property Owners Association	Houston, TX	Respite Services	146,894
Passages, Inc.	Houston, TX	Co-Occurring Disorders Services	87,329
Pathway to Serenity	Houston, TX	Housing/Transition Services	304,217
Patillo Brown & Hill, LLP	Waco, TX	Audit Services	116,825
Pham, Jennifer, DDS	Houston, TX	Dental Services	1,205
Phantastic Dental Place	Pasadena, TX	Dental Services	1,880
Physician Resources, Inc.	Houston, TX	Temporary Staffing - Psychiatrists	138,902
Pre-Check, Inc.	Houston, TX	Pre-employment Testing	36,541
Prosumers International	San Antonio, TX	Peer Support Training Services	15,711
Rangel, Kenia	Houston, TX	Respite Care Services	16,677
Reach Unlimited, Inc.	Houston, TX	Respite and Day Habilitation Services	18,012
Rowan HCI, Inc	Austin, TX	Board of Trustee's Consulting	3,500
Rubio, Elexxis	Houston, TX	Respite Care Services	10,125
Santa Maria Hostel, Inc.	Houston, TX	Substance Abuse Treatment	15,190
Semine, Karim	Houston, TX	Respite Care Services	7,100
Smith, Tracy	Missouri City, TX	Respite Care Services	15,795
Stamper, James R., DDS	Houston, TX	Dental Services	1,000
Stericycle, Inc.	Lake Forest, IL	Hazardous Waste Disposal	2,314
Texas Initiative Program	Dallas, TX	YES Waiver Services	5,784
Texas Medical Center Hospital Laundry Co-op	Houston, TX	Linen Service	49,912
Texas West Oaks Hospital	Houston, TX	Inpatient Psychiatric Bed Services	1,018,750
The Center	Houston, TX	Residential and Day Habilitation Services	28,467
The Council on Recovery	Houston, TX	Substance Abuse Counseling	1,394,851
The eConsortium Group, Inc.	Houston, TX	Information Technology Services	41,600
The Healthy Lunch Box	Houston, TX	Consumer Food Service	38,038
The Westfield Corporation	Houston, TX	Respite Services	19,561
Toa, Annabella	Houston, TX	Respite Care Services	5,724
Turning Point Center	Houston, TX	Housing/Transition Services	24,329
U. S. Healthworks	Houston, TX	Employee Drug Screening	3,050
Ultra Staff	Houston, TX	Temporary Staffing - Nursing	19,929
Unity Circle Counseling	Houston, TX	YES Waiver Services	18,274
University of Houston-Clear Lake	Houston, TX	Behavioral Therapy Services	85,305
University of Texas Health Science Center	Houston, TX	Contract Psychiatrists	57,096
University of Texas Health Science Center	Houston, TX	Psychiatric Residents	120,631
Volunteers of America TX, Inc.	Houston, TX	Day Habilitation Services	19,489
Vu, Annie	Houston, TX	Respite Care Services	23,679
Vu, Trinh	Houston, TX	Respite Care Services	14,297
Wang, Hai	Sugar Land, TX	Respite Care Services	13,545
Watkins, Kamala	Katy, TX	Respite Care Services	8,064
West Consulting Services, LLC	Signal Mountain, TN	Emergency Care Compliance Consulting	2,475

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

SCHEDULE OF LEGAL SERVICES (UNAUDITED)

FOR THE YEAR ENDED AUGUST 31, 2018

Name	City	Type of Service	Amount
Karczewski, Bradshaw, Spalding	Houston, TX	Employee benefits and general representation	\$ 2,275
Norton, Rose, Fulbright, U.S., LLP	Houston, TX	Board training	5,962
Rogers, Morris & Grover, L.L.P.	Houston, TX	Employment and general representation	52,003
The Feldman Firm, P.C.	Houston, TX	Employment and general representation	142,048

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**SINGLE AUDIT
SECTION**

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' 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
The Harris Center for Mental
Health and IDD

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Harris Center for Mental Health and IDD (the "Center"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated January 23, 2019. Our report includes a reference to other auditors who audited the financial statements of Pasadena Cottages, Inc., Pecan Village, Inc., Villas at Bayou Park, Inc., Pear Grove, Inc., and Acres Homes Gardens, Inc., as described in our report on the Center's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 the deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 23, 2019



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

To the Board of Trustees
The Harris Center for Mental
Health and IDD

Report on Compliance for Each Major Federal and State Program

We have audited the compliance of The Harris Center for Mental Health and IDD (the "Center") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement*, the Texas Health and Human Services Commission's *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (21st Revision)* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of the Center's major federal and state programs for the year ended August 31, 2018. The Center's major federal and state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the Texas Health and Human Services Commission's *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (21st Revision)* and the *State of Texas Single Audit Circular*. Those standards, the Uniform Guidance, the Texas Health and Human Services Commission's *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (21st Revision)* and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Center complied, in all material respects, with the types of 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, 2018.

Report on Internal Control over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance the *Uniform Guidance*, the Texas Health and Human Services Commission's *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (21st Revision)* and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*, the Texas Health and Human Services Commission's *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (21st Revision)* and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 23, 2019

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended August 31, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
Federal Awards:				
<u>U.S. Department of Housing and Urban Development:</u>				
Direct Program:				
Transitional Housing Program - Safe Havens	14.235	TX0191L6E001306 and TX0191L6E001407	\$ 216,846	\$ -
Total U.S. Department of Housing and Urban Development			<u>216,846</u>	<u>-</u>
<u>U.S. Department of Education:</u>				
Passed-through the Texas Health and Human Services Commission:				
Special Education Grants to States (IDEA, Part B)	84.027	5382001541	231,126	-
Total Special Education Cluster (IDEA)			<u>231,126</u>	<u>-</u>
Special Education Grants for Infants and Families with Disabilities (IDEA, Part C)	84.181	5382001541	1,690,424	-
Total Passed-through the Texas Health and Human Services Commission			<u>1,921,550</u>	<u>-</u>
Total U.S. Department of Education			<u>1,921,550</u>	<u>-</u>
<u>U.S. Dept. of Health and Human Services:</u>				
Passed-through the Texas Health and Human Services Commission:				
MH Block Homeless PATH Grant	93.150	2016-048164	1,059,278	-
TANF Transfer to Title XX Block Grant	93.558	529-17-0038-00024	1,004,790	-
Temporary Assistance for Needy Families (TANF)	93.558	5382001541	733,190	-
Total TANF Cluster			<u>1,737,980</u>	<u>-</u>
Social Services Block Grant (Title XX)	93.667	529-17-0038-00024	610,679	-
Delivery System Reform Incentive Payments (DSRIP)	93.778	N/A	48,372,621	-
Medicaid Administrative Claiming Program	93.778	529-09-0032-00096	6,893,523	-
Medicaid Administrative Claiming Program	93.778	5382001541	372,310	-
Total Medicaid Cluster			<u>55,638,454</u>	<u>-</u>
Enhanced Community Coordination	93.791	529-18-0045-00001	340,625	-
Mental Health Block Grant	93.958	529-17-0038-00024	3,143,829	-
Mental Health Block Grant (CSC)	93.958	2017-049559	708,037	-
Total CFDA 93.958			<u>3,851,866</u>	<u>-</u>
Substance Abuse Prevention & Treatment Block Grant	93.959	2016-048251	784,763	784,763
Disaster Assistance - Regular Services	93.982	2017-049947-01	465,864	-
Disaster Assistance - Regular Services	93.982	HHS000101500001	2,134,882	-
Total CFDA 93.982			<u>2,600,746</u>	<u>-</u>
Total Passed-through the Texas Health and Human Services Commission			<u>66,624,391</u>	<u>784,763</u>
Total U.S. Department of Health and Human Services			<u>66,624,391</u>	<u>784,763</u>
<u>U.S. Department of Homeland Security:</u>				
Passed-through the Texas Health and Human Services Commission:				
Disaster Assistance - Immediate Services	97.032	HHS000074500001	731,851	-
Total Passed-through the Texas Health and Human Services Commission			<u>731,851</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>731,851</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 69,494,638</u>	<u>\$ 784,763</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
Year Ended August 31, 2018**

<u>State Grantor/Program Title</u>	<u>Contract #</u>	<u>State Expenditures</u>
State Awards:		
<u>Texas Health and Human Services Commission:</u>		
Direct Programs:		
General Revenue - Mental Health	529-17-0038-00024	\$ 69,581,983
General Revenue - Psychiatric Hospitals	529-17-0038-00024	24,485,267
Subtotal		<u>94,067,250</u>
Early Childhood Intervention	5382001541	888,044
Services to Children with Autism	5382001408	440,666
General Revenue - Intellectual or Developmental Disabilities	529-18-0045-00001	8,681,794
General Revenue - Permanency Planning	529-18-0045-00001	134,033
General Revenue - PASRR Service Coordination	529-18-0045-00001	390,477
General Revenue - Crisis Respite Services	529-18-0045-00001	751,369
General Revenue - Crisis Intervention Specialist	529-18-0045-00001	<u>396,648</u>
Total Texas Health and Human Services Commission		<u>105,750,281</u>
<u>Texas Department of Criminal Justice:</u>		
Direct Programs:		
Parole - MH Offenders Program	696-TC-18-19-LO26	246,000
Substance Abuse - MH Offenders Program	696-TC-18-19-LO26	<u>200,000</u>
Total Texas Department of Criminal Justice		<u>446,000</u>
Total Expenditures of State Awards		<u>106,196,281</u>
Total Expenditures of Federal and State Awards		\$ <u>175,690,919</u>

The accompanying notes are an integral part of this schedule.

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

AUGUST 31, 2018

Note 1 – General

The Schedule of Expenditures of Federal and State Awards presents the activity of all applicable state and federal awards of The Harris Center for Mental Health and IDD (the “Center”) for the year ended August 31, 2018. The Center's reporting entity is defined in Note 1 of the basic financial statements. Federal and state financial awards received directly from federal and state agencies, as well as federal financial awards passed through other governmental agencies, are included on the Schedule of Expenditures of Federal and State Awards.

Note 2 – Basis of Accounting

The Schedule of Expenditures of Federal and State Awards is prepared using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and *the State of Texas Single Audit Circular*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3 – State Financial Assistance Guidelines

State financial assistance is subject to the Texas Health and Human Services Commission’s *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (21st Revision)*. Such guidelines are consistent with those required under the *Uniform Guidance* and *the State of Texas Single Audit Circular*.

Note 4 – Indirect Costs

The Center has elected not to use the 10% de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Note 5 – Reconciliation of state revenues and the Schedule of Expenditures of State Awards

The following is a reconciliation of state grant expenditures reported on the Schedule of Expenditures of State Awards to the state revenues reported in the basic financial statements for the year ended August 31, 2018:

State revenues per the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 109,389,867
Less: Texas Correctional Office on Offenders with Medical or Mental Impairments (TCOOMI) program	(3,193,586)
State expenditures per the Schedule of Expenditures of State Awards	<u>\$ 106,196,281</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

Summary of Auditors' Results

Financial Statements:

Type of auditors' report on financial statements	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

Federal and State Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the <i>Uniform Guidance</i> or the <i>State of Texas Single Audit Circular</i> ?	No

Identification of major programs:

Federal:

U.S. Department of Health and Human Services:	<u>CFDA #</u>
Medical Assistance Program:	
Delivery System Reform Incentive Payments (DSRIP)	93.778
Medicaid Administrative Claiming Program	93.778
Disaster Assistance - Regular Services	93.982

State:

Texas Health and Human Services Commission:	<u>State Grant Number</u>
General Revenue:	529-17-0038-00024
Mental Health	
Psychiatric Hospitals	
General Revenue:	529-18-0045-00001
Intellectual Development Disabilities	
Permanency Planning	
PASRR Service Coordination	
Crisis Respite Services	
Crisis Intervention Specialist	

Dollar threshold used to distinguish between type A and type B federal programs	\$2,084,839
Dollar threshold used to distinguish between type A and type B state programs	\$3,000,000
Auditee qualified as low risk auditee?	Yes

Financial Statement Findings

None

Federal and State Award Findings and Questioned Costs

None



Transforming Lives

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2018

There were no findings in the prior year.