



Transforming Lives

(A COMPONENT UNIT OF HARRIS COUNTY, TEXAS)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For Fiscal Years Ended
August 31, 2017 and 2016**

Wayne Young, MBA, LPC, FACHE
Chief Executive Officer

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THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

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THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

Listing of Officials

August 31, 2017

Board of Trustees

Jon R. Keeney	Board Chairperson
Lois J. Moore, BSN, MED, LHD, FACHE	Board Vice Chairperson
Gerald Womack	Secretary, Resource Committee Chairperson
Victor C. Alvarez	Board Member
Susan Fordice	Board Member
Bonnie C. Hellums, MED, LMFT, LCDC, AAC, JD	Board Member
Johnanna (Jo) Monday	Board Member
George Santos, MD, DFAPA	Board Member
Shaukat Zakaria	Board Member

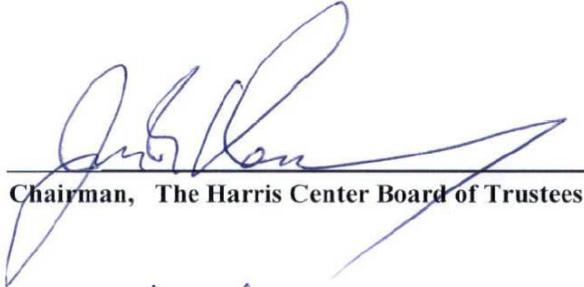
Executive Staff

Wayne Young, MBA, LPC, FACHE Chief Executive Officer	Daryl K. Knox, MD Chief Medical Officer
Scott P. Strang, Ph.D., MBA Chief Operating Officer	Alejandro V. Lim, CPA, MBA Chief Financial Officer
Ronald Coots, RN, MSHP, CPHIMS Director of Information Services	Kendra Thomas, JD, LPC-S Managing Attorney
Kimberly Kornmayer, LCSW Deputy Director, CPEP Services	Sylvia Muzquiz-Drummond, MD Medical Director, MH/Forensic Services
Michael Downey, MA, MBA, LPC Deputy Director, Outpatient Services (Civil)	Charlotte Simmons Director, Human Resources
Carson Easley, MS, RN Director, Nursing Services	Robert Stakem, MPM, CPHQ Deputy Director, IDD Services
Vinny Kapoor, MD Medical Director, CPEP Services	Lawrence Bell Director, Facility Services
J. Scott Hickey, Ph.D. Director, Outcome Management	Joel Carr, Ph. D. Director, Quality Improvement
Monalisa Jiles, NCC, LPC, LMFT Deputy Director, Forensic Services	Tamara Coy-Tremant, MBA, LCDC, LBSW Director, Program Compliance

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

CERTIFICATE OF BOARD APPROVAL

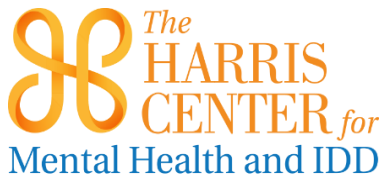
I, Jon R. Keeney, Chairperson of the Board of Trustees of The Harris Center for Mental Health and IDD, do hereby certify that this accompanying audit report for the Fiscal Year 2017 from Pattillo, Brown & Hill, L.L.P., was review and approved at a meeting of the Board of Trustees held on the 23rd day of January 2018.



Chairman, The Harris Center Board of Trustees

1/23/18

Date



Transforming Lives

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

January 23, 2018

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, 2017. 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: the State's Department of State Health Services (DSHS) and Department of Aging and Disability Services (DADS), 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 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 Federal and State Awards*, the *Schedule of Findings and Questioned Costs*, the auditors' report on the internal control structure and compliance with applicable laws and regulations and the auditors' report on the internal control structure and compliance with requirements of major programs.

Fiscal Year

The Center's fiscal year starts on September 1 of each year and ends on August 31 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, 2017 are free of material misstatement. The independent audit involved examining, on a 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, 2017, 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, mandated “Single Audit” designed to meet the special needs of federal and state 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 and state awards.

Business Profile

The Center is a governmental entity 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 the 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) 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, 2017, 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 legal 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 financial statements. For financial reporting purposes, and in conformance with Governmental Accounting Standards Board standards, the financial reporting entity, The Center is included as a component unit 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 the case the Center discontinued 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 DSHS/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 DSHS/DADS for approval. After reviewing the budget, DSHS and DADS either approve or direct 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, order the consolidation of these various agencies to the mother commission. This consolidation process has stated and will continue until September 1, 2018.

For fiscal year 2017, the Center had a contract with each of these two state agencies, DSHS, a state agency created pursuant to Texas Health and Safety Code (THSC), Chapter 1001, and 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 was 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 are 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 the amount of \$26 million in fiscal year 2017. The Center 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

Fiscal year 2018 begin the second year of the Senate legislative biennium, allocation from the Texas HHSC will substantially remain the same as in the previous fiscal year.

In 2017, Harris County continued the reduction of its allocation to the Center by \$1.6M. Hoping that this reduction will be temporary, the Center's Board decided to make up the shortfall by partly utilizing lapsed operating expenses in the amount of \$1M and the balance to be funded with reserves. This reduction took effect during the start of the County fiscal year which is March 1, 2017.

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 \$32M in valuation reimbursement in fiscal year 2018. This program is however terminating on December 31, 2017. The Texas Health and Human Services Commission proposed to CMS that it be extended but the latter has yet to respond to that proposal.

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 \$26M 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 operation 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 and the quality and effectiveness of the services and assistance provided to and for our consumers and their families, reflecting their deep commitment to this community, especially to those who are mentally and developmentally impaired.

Respectfully submitted,


Wayne Young, MBA, MEd
Chief Executive Officer


Alex Y. Lim, CPA, MBA
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**

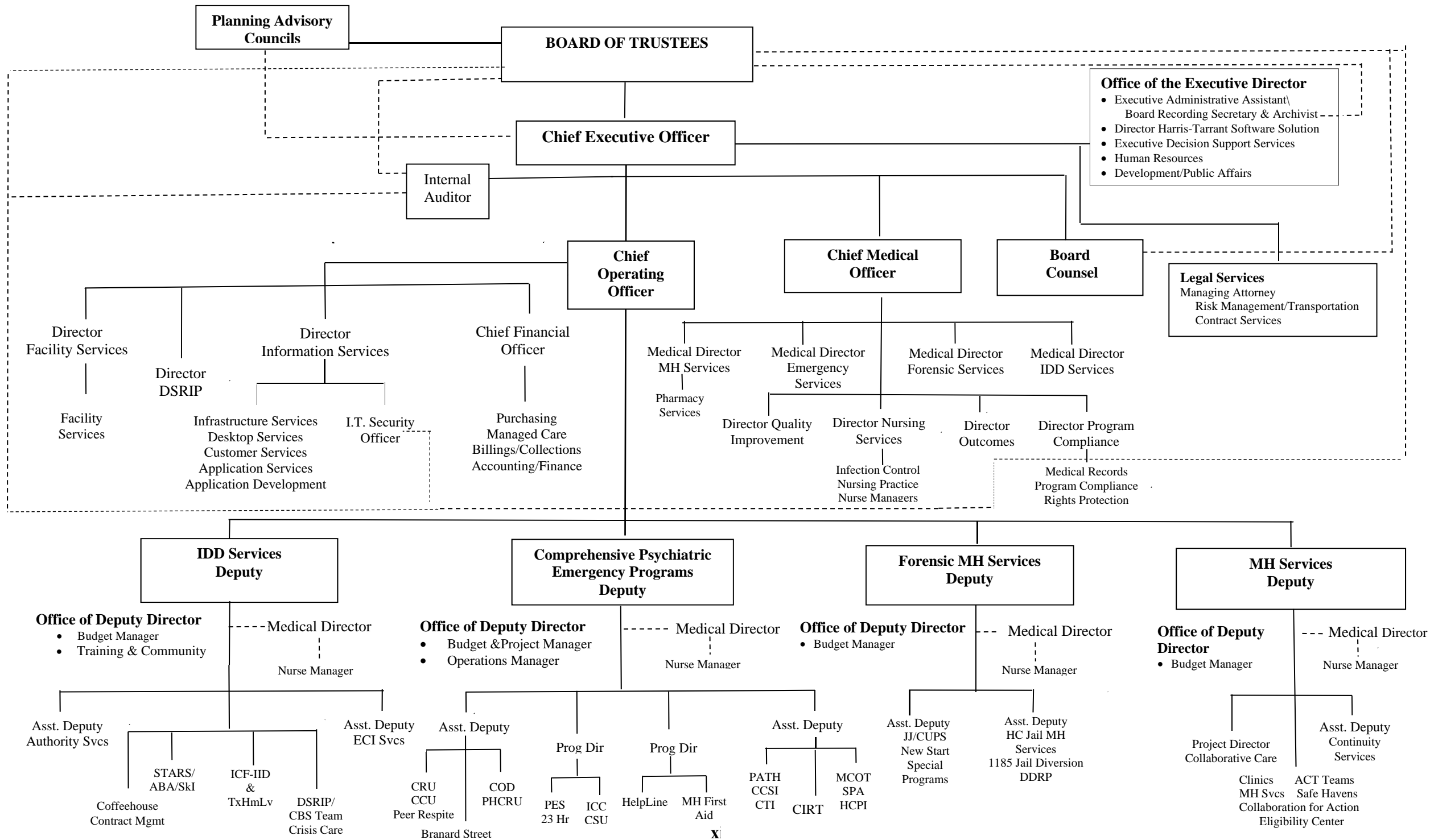
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2016

Christopher P. Morrill

Executive Director/CEO

THE HARRIS CENTER for Mental Health and IDD – FY'17



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, 2017 (May 31, 2017 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 83 percent, 89 percent, and 86 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, 2017, 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, 2016, 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 16, 2018, 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 16, 2018

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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, 2017. 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 fiscal year 2017 by \$78,905,661 (net position). Of this amount, \$49,448,325 (unrestricted net position) may be used to meet the Center's ongoing obligations.
- The Center's total net position (government-wide) decreased by \$2,220,495 during the year.
- The Center's governmental funds increased by \$4,797,666 resulting in an ending fund balance of \$53,960,616.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$35,855,265 or 15% 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 immediately 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 \$78,905,661 at the close of the fiscal year.

The largest portion of the Center’s net position (63 percent) represents the unrestricted financial resources available for future operations. This compares to last fiscal year’s unrestricted financial resources at 55 percent.

Another 37% reflects its investment in capital assets such as land, buildings, vehicles and electronic equipments, less any related debt that are 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, 2017, with comparative figures for fiscal year 2016:

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

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 88,042,886	\$ 72,840,030
Non-current assets	<u>33,277,336</u>	<u>41,281,344</u>
Total assets	<u>121,320,222</u>	<u>114,121,374</u>
Current liabilities	33,243,847	22,851,695
Long-term liabilities outstanding	<u>9,170,714</u>	<u>10,143,523</u>
Total liabilities	<u>42,414,561</u>	<u>32,995,218</u>
Net position:		
Net investment in capital assets	29,457,336	36,369,915
Unrestricted	<u>49,448,325</u>	<u>44,756,241</u>
Total net position	<u>\$ 78,905,661</u>	<u>\$ 81,126,156</u>

The decrease in net position was primarily due to expenses from Waiver 1115 DSRIP projects exceeding related revenues and the impairment of internally generated intangible assets as the Center elected to stop development of its Topaz software project during the fiscal year.

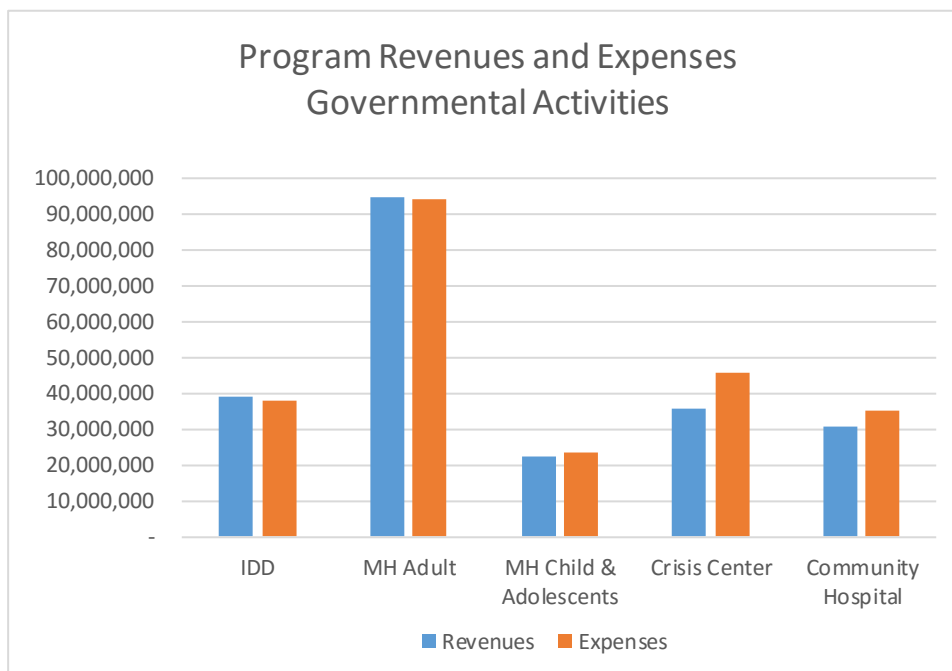
Governmental Activities

Revenues for the Center’s governmental activities were \$234,627,474 while total expenses were \$236,847,971. The change in net position of governmental activities was \$(2,220,495). The following table reflects a comparison of the governmental activities between fiscal year 2017 and fiscal year 2016:

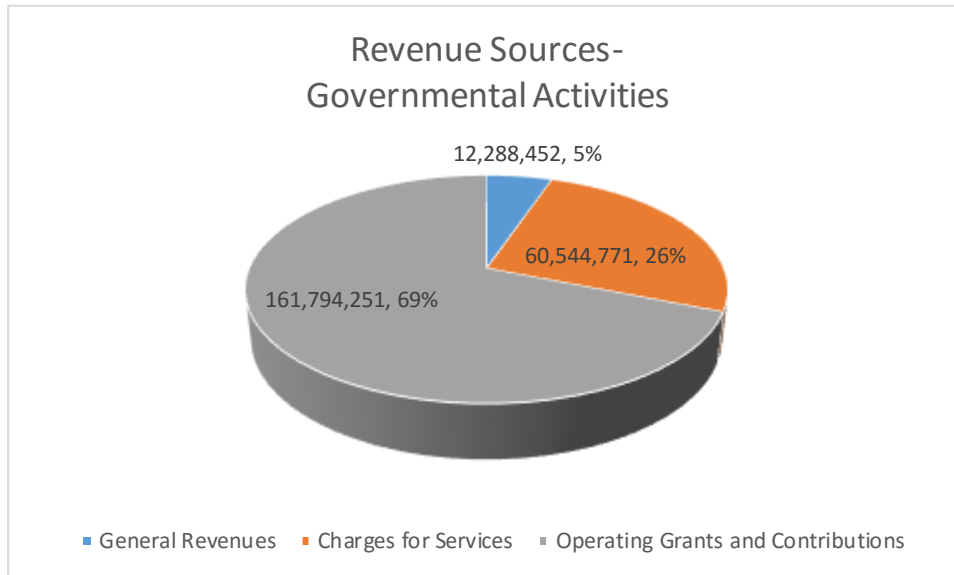
	CHANGES IN NET POSITION	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
REVENUES		
Program revenues:		
Charges for services:		
Intellectual and Developmental Disabilities	\$ 20,601,454	\$ 19,964,338
Mental Health Adult	26,097,767	24,071,761
Mental Health Child and Adolescents	10,268,703	7,172,331
Crisis Center	<u>3,576,847</u>	<u>4,311,685</u>
Total charges for services	<u>60,544,771</u>	<u>55,520,115</u>
Operating grants and contributions:		
Intellectual and Developmental Disabilities	18,471,344	16,059,995
Mental Health Adult	68,611,457	64,379,611
Mental Health Child and Adolescents	11,778,343	14,289,591
Crisis Center	32,132,611	29,107,035
Community Hospital	<u>30,800,496</u>	<u>30,800,496</u>
Total operating grants and contributions	<u>161,794,251</u>	<u>154,636,728</u>
General revenues:		
Payments from Harris County	17,660,928	18,456,922
Unrestricted investment earnings	446,138	295,372
Miscellaneous	334,602	602,361
Gain on disposal of capital assets	<u>44,862</u>	<u>51,010</u>
Total general revenues	<u>18,486,530</u>	<u>19,405,665</u>
Total revenues	<u>240,825,552</u>	<u>229,562,508</u>
EXPENSES		
General Administration	21,572,433	14,893,645
Intellectual and Developmental Disabilities	34,095,871	35,594,396
Mental Health Adult	84,335,615	84,047,064
Mental Health Child and Adolescents	21,085,272	19,654,224
Crisis Center	40,765,153	38,396,900
Community Hospital	34,900,020	34,458,349
Interest on long-term debt	<u>93,605</u>	<u>119,925</u>
Total expenses	<u>236,847,969</u>	<u>227,164,503</u>
Special item - impairment of intangible assets	<u>(6,198,078)</u>	<u>-</u>
CHANGE IN NET POSITION	(2,220,495)	2,398,005
NET POSITION, BEGINNING	<u>81,126,156</u>	<u>78,728,151</u>
NET POSITION, ENDING	<u>\$ 78,905,661</u>	<u>\$ 81,126,156</u>

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 local funding and unrestricted investments.

	Net Cost of Services
Intellectual and Developmental Disabilities	\$ 897,034
Mental Health Adult	282,056
Mental Health Child and Adolescents	(1,561,278)
Crisis Center	(9,933,630)
Community Hospital	(4,099,524)
Interest on long-term debt	(93,605)
Total	<u><u>\$(14,508,947)</u></u>



The following chart depicts the Center’s 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 15) reported a fund balance of \$53,960,616. 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 \$52,894,623 and represents 22% of total General Fund expenditures or the equivalent of 82 days.

An analysis of significant balances follows:

- Compared to the previous year, State grants and programs for fiscal year 2017 decreased by \$2,474,474 as a result of a decrease in funding from the Texas Department of State Health Services (DSHS).
- Federal funds increased by \$10,672,202 compared to the prior year primarily due to an increase in Delivery System Reform Incentive Payments receipts, funding of the Early Childhood Intervention program and Medicaid Administrative Claiming.
- In fiscal year 2017, local billings increased by \$5,716,345 as well as investment earnings which rose by \$143,443.

Internal Service Fund.

In fiscal year 2017, the total assets of the Internal Service Fund, representing a self-insurance reserve fund, slightly inched up from \$2,166,814 in fiscal year 2016 to \$2,179,851.

GENERAL FUND BUDGETARY HIGHLIGHTS

A number of amendments were made to the original budget during the year. The major ones include the increase in projected funding from the Health and Human Services Commission by \$359,529, the increase in disaster assistance from FEMA through HHSC, and increase in Medicaid Administrative Claiming. Actual figures however indicated a decrease in funding from HHSC of \$1,069,561.

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 increased with the need to hire contract psychiatrists and nurses to fill in vacancies. Repairs and maintenance also saw a budget escalation as major repairs planned at the start of the year, including the build-out of a couple of facilities, were pursued.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Center's investment in capital assets as of August 2017, amounts to \$33,277,336 (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:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Increase (Decrease)</u>
Land	\$ 6,023,411	\$ 6,023,411	\$ -
Buildings & improvement	24,629,536	26,815,825	(2,186,289)
Furniture & equipment	2,122,314	1,783,577	338,737
Vehicles	502,075	460,454	41,621
Intangible assets- software	-	6,198,078	(6,198,078)
Total capital assets	<u>\$ 33,277,336</u>	<u>\$ 41,281,345</u>	<u>\$ (8,004,009)</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 \$10,512,143. 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, 2017 and 2016

	2017		2016	
	Primary Government- Governmental Activities	Component Units	Primary Government- Governmental Activities	Component Units
Assets				
Current assets:				
Cash and cash equivalents	\$ 31,386,613	\$ 1,032,998	\$ 13,826,057	\$ 1,048,283
Investments	36,011,166	399,297	43,052,318	400,005
Accounts receivable, net	19,579,114	1,404	14,931,780	14,242
Inventories	233,710	-	244,856	-
Deposits	103,290	-	103,290	-
Prepaid expenses	728,993	17,820	681,729	20,860
Other assets	-	8,336	-	1,072
Total current assets	<u>88,042,886</u>	<u>1,459,855</u>	<u>72,840,030</u>	<u>1,484,462</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	351,984	-	369,560
Land	6,023,411	-	6,023,411	-
Intangible assets - software in development	-	-	6,198,078	-
All other capital assets, net	27,253,925	5,475,781	29,059,856	5,650,959
Total noncurrent assets	<u>33,277,336</u>	<u>5,827,765</u>	<u>41,281,345</u>	<u>6,020,519</u>
Total assets	<u>\$ 121,320,222</u>	<u>\$ 7,287,620</u>	<u>\$ 114,121,375</u>	<u>\$ 7,504,981</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 4,568,441	\$ 949,400	\$ 5,600,008	\$ 1,015,372
Accrued liabilities	14,861,196	16,913	13,615,688	19,227
Unearned revenue	12,472,781	-	2,294,571	-
Current portion of long-term obligations	1,341,429	67,410	1,341,429	69,731
Total current liabilities	<u>33,243,847</u>	<u>1,033,723</u>	<u>22,851,696</u>	<u>1,104,330</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	9,170,714	410,850	10,143,523	424,776
Total liabilities	<u>42,414,561</u>	<u>1,444,573</u>	<u>32,995,219</u>	<u>1,529,106</u>
Net Position:				
Net investment in capital assets	29,457,336	4,997,521	36,369,915	5,156,452
Unrestricted	49,448,325	845,526	44,756,241	819,423
Total net position	<u>78,905,661</u>	<u>5,843,047</u>	<u>81,126,156</u>	<u>5,975,875</u>
Total liabilities and net position	<u>\$ 121,320,222</u>	<u>\$ 7,287,620</u>	<u>\$ 114,121,375</u>	<u>\$ 7,504,981</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

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
			Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Component Units
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	\$ 236,847,969	\$ -	\$ 60,544,771	\$ 161,794,251	(14,508,947)	-
Component units:						
HUD Programs	\$ 620,874		\$ 469,837	\$ -		(151,037)
Fund raising activities	29,654		-	42,135		12,481
Total component units	\$ 650,528		\$ 469,837	\$ 42,135		(138,556)
General revenues:						
Payments from Harris County					17,660,928	-
Unrestricted investment earnings					446,138	5,728
Other income					334,602	-
Gain on sale of capital assets					44,862	-
Special item - impairment of intangible asset					(6,198,078)	-
Total general revenues and special items					12,288,452	5,728
Change in net position					(2,220,495)	(132,828)
Net position - beginning					81,126,156	5,975,875
Net position - ending					\$ 78,905,661	\$ 5,843,047

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, 2016

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
			Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Component Units
Primary government:						
Governmental activities:						
General administration	\$ 14,893,645	\$(14,893,645)	\$ -	\$ -	\$ -	\$ -
Adult Mental Health	84,047,064	7,044,566	24,071,761	64,379,611	(2,640,258)	-
Intellectual & Developmental Disabilities	35,594,396	2,983,413	19,964,338	16,059,995	(2,553,476)	-
Child and Adolescent	19,654,224	1,647,356	7,172,331	14,289,591	160,342	-
Crisis Center	38,396,900	3,218,310	4,311,685	29,107,035	(8,196,490)	-
Community Hospital (payment to HCPC)	34,458,349	-	-	30,800,496	(3,657,853)	-
Interest on long-term debt	119,925	-	-	-	(119,925)	-
Total governmental activities	\$ 227,164,503	\$ -	\$ 55,520,115	\$ 154,636,728	(17,007,660)	-
Component units:						
HUD Programs	\$ 614,992		\$ 428,050	\$ -		(186,942)
Fund raising activities	51,723		-	132,599		80,876
Total component units	\$ 666,715		\$ 428,050	\$ 132,599		(106,066)
General revenues:						
					18,456,922	-
					295,372	3,635
					602,361	5,310
					51,010	-
Total general revenues					19,405,665	8,945
					2,398,005	(97,121)
Net position - beginning					78,728,151	4,973,296
					-	1,099,700
Net position - ending					\$ 81,126,156	\$ 5,975,875

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2017 and 2016

	General Fund	
	2017	2016
Assets		
Cash and cash equivalents	\$ 31,386,613	\$ 13,826,057
Investments	33,831,315	40,885,504
Accounts receivable (net of allowance for uncollectibles)	2,022,926	2,128,116
Receivables from other governments	16,820,931	12,320,874
Other receivables	735,257	482,790
Inventories	233,710	244,856
Deposits	103,290	103,290
Prepaid items	728,993	681,729
Total assets	\$ 85,863,035	\$ 70,673,216
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 4,568,442	\$ 5,600,007
Accrued liabilities	14,861,196	13,615,688
Unearned revenue	12,472,781	2,294,571
Total liabilities	31,902,419	21,510,266
Fund balances:		
Nonspendable:		
Inventories	233,710	244,856
Prepaid items	728,993	681,729
Deposits	103,290	103,290
Assigned:		
Delivery System Reform Incentive Projects	3,895,406	3,895,406
Infrastructure development	204,866	799,774
Self insurance	2,000,000	2,000,000
Debt repayment	3,820,000	4,911,428
Compensated absences	6,692,142	6,573,523
Other purposes	426,944	410,498
Unassigned	35,855,265	29,542,446
Total fund balance	53,960,616	49,162,950
Total liabilities and fund balance	\$ 85,863,035	\$ 70,673,216

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 GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
August 31, 2017 and 2016

	2017	2016
Total Fund Balance	\$ 53,960,616	\$ 49,162,950
Amounts reported for governmental activities in the statement of net position are different because:		
An internal service fund is used by management to charge the costs of certain self insurance activities to the general fund.	2,179,851	2,166,814
Capital assets used in governmental activities are not financial resources and therefore not reported in the general fund.	33,277,336	41,281,344
Long-term liabilities are not due and payable with current financial resources and therefore, are not reported in the general fund.	(10,512,142)	(11,484,952)
Net position of governmental activities	\$ 78,905,661	\$ 81,126,156

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, 2017 and 2016

	General Fund	
	2017	2016
Revenues		
State grants & programs	\$ 105,272,006	\$ 110,851,190
Federal grants	59,727,494	49,055,292
Harris County allocation	34,924,970	34,692,528
Local billings	37,229,063	31,512,718
Investment earnings	433,101	289,658
Miscellaneous	3,181,019	3,104,399
Total revenues	<u>240,767,653</u>	<u>229,505,785</u>
Expenditures		
Current:		
Adult Mental Health	84,054,075	83,471,416
Intellectual & Developmental Disabilities	33,728,843	35,208,003
Child and Adolescent	20,904,113	19,465,455
Crisis Center	40,371,138	40,395,723
Community Hospital (payment to HCPC)	34,900,020	34,458,347
General Administration	20,871,626	14,462,320
Debt service:		
Principal	1,091,429	1,419,522
Interest and other charges	93,605	119,925
Total expenditures	<u>236,014,849</u>	<u>229,000,711</u>
Excess of revenues over expenditures	4,752,804	505,074
Other Financing Sources:		
Proceeds from sale of capital assets	44,862	51,010
Total other financing sources	<u>44,862</u>	<u>51,010</u>
Net change in fund balance	4,797,666	556,084
Fund balance - beginning	<u>49,162,950</u>	<u>48,606,866</u>
Fund balance - ending	<u>\$ 53,960,616</u>	<u>\$ 49,162,950</u>

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 GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Years Ended August 31, 2017 and 2016

	2017	2016
Net change in fund balance - total governmental fund	\$ 4,797,666	\$ 556,084
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.	(1,805,930)	725,466
Income generated from the internal service fund is reported in governmental activities.	13,037	5,714
Repayment of bonds, notes payable and capital leases is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	1,091,429	1,419,522
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 increase in accrued compensated absences in the government-side financial statements during the current fiscal year.	(118,619)	(308,781)
Change in net position of governmental activities	\$(2,220,495)	\$ 2,398,005

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
For the Year Ended August 31, 2017

	Budget		Actual (Budgetary basis)	Variance Positive/ (Negative)
	Original	Final		
State Program Revenues				
General revenue	\$ 106,848,765	\$ 107,208,294	\$ 100,066,672	\$(7,141,622)
Early Childhood Intervention	1,121,047	1,122,449	1,097,691	(24,758)
Services to Children with Autism	550,000	550,000	357,726	(192,274)
Texas Council on Offenders with Mental Impairments	3,348,387	3,314,337	3,303,917	(10,420)
Texas Department of Criminal Justice - Parole and Substance Abuse	446,000	446,000	446,000	-
Total state program revenues	<u>112,314,199</u>	<u>112,641,080</u>	<u>105,272,006</u>	<u>(7,369,074)</u>
Federal Program Revenues				
Mental Health Block Grant	3,081,806	3,081,804	3,081,806	2
Mental Health Block Grant - CSC	825,000	825,000	729,271	(95,729)
Social Services Block Grant (Title XX)	632,375	632,375	612,690	(19,685)
Disaster Assistance	-	1,748,701	1,195,542	(553,159)
TANF to Title XX Block Grant	1,499,692	1,499,692	1,509,873	10,181
MH Block Homeless PATH Grant	1,130,299	1,179,877	1,104,652	(75,225)
Substance Abuse Prevention & Treatment Block Grant	752,000	752,000	722,814	(29,186)
Delivery System Reform Incentive Payments	34,113,421	34,294,682	41,080,250	6,785,568
Administrative Claiming	5,779,708	5,779,707	6,247,695	467,988
Early Childhood Intervention	2,809,400	2,812,912	2,750,868	(62,044)
Transitional Housing Program - Safe Havens	371,739	371,739	371,739	-
Enhanced Community Coordination	201,459	380,252	320,294	(59,958)
Total federal program revenues	<u>51,196,899</u>	<u>53,358,741</u>	<u>59,727,494</u>	<u>6,368,753</u>
Local Revenues				
County funds	<u>36,873,594</u>	<u>36,411,062</u>	<u>34,924,970</u>	<u>(1,486,092)</u>
Local Billings				
Patient fees and private insurance	1,080,262	1,080,262	1,026,443	(53,819)
Medicare	975,203	975,203	1,187,488	212,285
Medicaid	25,781,195	25,830,747	30,135,362	4,304,615
ICF/MR, HCS and THL waiver	3,708,621	4,378,967	4,476,622	97,655
Administrative claiming	372,950	372,950	403,148	30,198
Total local billings	<u>31,918,231</u>	<u>32,638,129</u>	<u>37,229,063</u>	<u>4,590,934</u>
Investment earnings	244,800	244,800	433,101	188,301
Miscellaneous	<u>3,049,750</u>	<u>3,060,150</u>	<u>3,181,019</u>	<u>120,869</u>
Total Revenues before Patient Assistance Program	<u>235,597,473</u>	<u>238,353,962</u>	<u>240,767,653</u>	<u>2,413,691</u>
Patient Assistance Program	28,013,987	26,013,987	26,399,768	385,781
Total Revenues	<u>\$ 263,611,460</u>	<u>\$ 264,367,949</u>	<u>\$ 267,167,421</u>	<u>\$ 2,799,472</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, 2017

	Budget		Actual (Budgetary basis)	Variance Positive/ (Negative)
	Original	Final		
Expenditures				
Current:				
Personnel costs	\$ 162,329,763	\$ 164,742,917	\$ 160,906,081	\$ 3,836,836
Contracts with service agencies and professional fees	52,070,556	54,351,403	50,042,558	4,308,845
Drug costs and other supplies	3,463,274	3,722,521	3,562,313	160,208
Rental	789,823	821,422	832,342	(10,920)
Repairs and maintenance	7,786,461	10,119,716	8,524,931	1,594,785
Travel	3,223,071	3,703,971	3,175,896	528,075
Security services	839,833	839,833	738,914	100,919
Utilities	2,462,690	2,562,184	2,628,125	(65,941)
Other	3,735,228	3,166,054	2,892,921	273,133
Debt service:				
Principal	1,183,737	1,183,737	1,091,429	92,308
Interest and other charges	92,308	92,308	93,605	(1,297)
Capital outlay	2,792,149	7,257,966	1,525,734	5,732,232
Total expenditures before Patient Assistance Program	240,768,893	252,564,032	236,014,849	16,549,183
Expenditures - Patient Assistance Program	28,013,987	26,013,987	26,399,768	(385,781)
Total expenditures	268,782,880	278,578,019	262,414,617	16,163,402
Excess of revenues over expenditures	(5,171,420)	(14,210,070)	4,752,804	18,962,874
Other Financing Sources:				
Proceeds from sale of capital assets	-	-	44,862	44,862
	-	-	44,862	44,862
Excess of revenues and other financing sources over expenditures	(5,171,420)	(14,210,070)	4,797,666	19,007,736
Fund balance - beginning	49,162,950	49,162,950	49,162,950	-
Fund balance - ending	\$ 43,991,530	\$ 34,952,880	\$ 53,960,616	\$ 19,007,736

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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
BUDGETARY COMPARISON STATEMENT (Continued)
BUDGET-TO-GAAP RECONCILIATION - GENERAL FUND
For The Year Ended August 31, 2017

Sources / Inflows of Resources

Total revenue as per Budgetary Comparison Statement \$ 267,167,421

Differences - budget to GAAP:

Value of drugs received by patients from Patient Assistance Program (PAP) are budgetary resources,
but are not reported as revenues under GAAP. (26,399,768)

**Total revenue as per Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds** \$ 240,767,653

Uses / Outflows of Resources

Total expenditures as per Budgetary Comparison Statement \$ 262,414,617

Differences - budget-to-GAAP:

Value of drugs provided under Patient Assistance Program (PAP) are outflows of budgetary
resources, but are not recorded as expenditure under GAAP. (26,399,768)

**Total expenditures as per Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds** \$ 236,014,849

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THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
BUDGETARY COMPARISON STATEMENT (Continued)
BUDGET-TO-GAAP RECONCILIATION - GENERAL FUND
For The Year Ended August 31, 2017

Sources / Inflows of Resources

Total revenue as per Budgetary Comparison Statement \$ 267,167,421

Differences - budget to GAAP:

Value of drugs received by patients from Patient Assistance Program (PAP) are budgetary resources, but are not reported as revenues under GAAP. (26,399,768)

Total revenue as per Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds \$ 240,767,653

Uses / Outflows of Resources

Total expenditures as per Budgetary Comparison Statement \$ 262,414,617

Differences - budget-to-GAAP:

Value of drugs provided under Patient Assistance Program (PAP) are outflows of budgetary resources, but are not recorded as expenditure under GAAP. (26,399,768)

Total expenditures as per Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds \$ 236,014,849

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
STATEMENT OF NET POSITION
PROPRIETARY FUND
August 31, 2017 and 2016

	Governmental Activities - Internal Service Fund	
	Self- Insurance Reserve Fund (SIRF)	
	2017	2016
Assets		
Current Assets:		
Investments	\$ 2,179,851	\$ 2,166,814
Total assets	<u>2,179,851</u>	<u>2,166,814</u>
Net Position	<u>\$ 2,179,851</u>	<u>\$ 2,166,814</u>

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, 2017 and 2016

	Governmental Activities - Internal Service Fund	
	Self- Insurance Reserve Fund	
	2017	2016
Operating revenues	\$ -	\$ -
Operating expenses	-	-
Operating income	-	-
Non-operating revenues:		
Interest	13,037	5,714
Total non-operating revenues	13,037	5,714
Change in net position	13,037	5,714
Net position - beginning of the year	2,166,814	2,161,100
Net position- end of the year	<u>\$ 2,179,851</u>	<u>\$ 2,166,814</u>

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, 2017 and 2016

	Governmental Activities - Internal Service Fund	
	Self- Insurance Reserve Fund (SIRF)	
	2017	2016
Cash flows from operating activities	\$ -	\$ -
Net cash provided by operating activities	-	-
Cash flows from investing activities:		
Interest income	13,037	5,714
Net cash provided by investing activities	13,037	5,714
Net increase in cash and cash equivalents	13,037	5,714
Total cash and cash equivalents, beginning of year	2,166,814	2,161,100
Total cash and cash equivalents, end of year	\$ 2,179,851	\$ 2,166,814

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ <u>21,109</u>	\$ <u>29,768</u>
Liabilities		
Due to clients	\$ <u>21,109</u>	\$ <u>29,768</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

	Pasadena Cottages, Inc. May 31, 2017	Pecan Village, Inc. August 31, 2017	Villas at Bayou Park, Inc. August 31, 2017	Pear Grove, Inc. August 31, 2017	Acres Homes Garden, Inc. August 31, 2017	Friends of MHMRA August 31, 2017	Total
Assets							
Current assets:							
Cash and cash equivalents	\$ 7,432	\$ 54,409	\$ 28,851	\$ 124,012	\$ 13,708	\$ 804,586	\$ 1,032,998
Investments	-	-	-	-	-	399,297	399,297
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 net position	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, 2017 *

	Program Revenues			Net (Expense) Revenue and Changes in Net Position						
	Expenses	Operating Grants		Pasadena Cottages, Inc.	Pecan Village, Inc.	Villas at Bayou Park, Inc.	Pear Grove, Inc.	Acres Homes Garden, Inc.	Friends of MHMRA	Totals
		Charges for Services	and Contributions							
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.	138,420	148,524	-	10,104						10,104
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	29,654	-	42,135						12,481	12,481
Total component units	<u>\$ 650,528</u>	<u>\$ 469,837</u>	<u>\$ 42,135</u>							<u>(138,556)</u>
General revenues:										
Investment earnings				-	76	79	201	8	5,364	5,728
Total general revenues				-	76	79	201	8	5,364	5,728
Change in net position				10,104	(16,372)	(42,616)	(56,424)	(45,365)	17,845	(132,828)
Net position - beginning of year				(83,164)	805,261	1,477,851	1,284,131	1,702,711	789,085	5,975,875
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
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
August 31, 2016

	Pasadena Cottages, Inc. May 31, 2016	Pecan Village, Inc. August 31, 2016	Villas at Bayou Park, Inc. August 31, 2016	Pear Grove, Inc. August 31, 2016	Acres Homes Garden, Inc. August 31, 2016	Friends of MHMRA August 31, 2016	Total
Assets							
Current assets:							
Cash and cash equivalents	\$ 7,316	\$ 39,633	\$ 33,364	\$ 144,819	\$ 18,229	\$ 804,922	\$ 1,048,283
Investments	-	-	-	-	-	400,005	400,005
Accounts receivable	1,404	-	-	-	-	12,838	14,242
Prepaid expenses	5,328	11,578	837	2,358	759	-	20,860
Other assets	-	471	-	601	-	-	1,072
Total current assets	<u>14,048</u>	<u>51,682</u>	<u>34,201</u>	<u>147,778</u>	<u>18,988</u>	<u>1,217,765</u>	<u>1,484,462</u>
Noncurrent assets:							
Restricted cash and cash equivalents	51,443	112,065	71,335	81,898	52,819	-	369,560
Capital assets, net	195,772	742,140	1,621,010	1,374,498	1,717,539	-	5,650,959
Total noncurrent assets	<u>247,215</u>	<u>854,205</u>	<u>1,692,345</u>	<u>1,456,396</u>	<u>1,770,358</u>	<u>-</u>	<u>6,020,519</u>
Total assets	<u>\$ 261,263</u>	<u>\$ 905,887</u>	<u>\$ 1,726,546</u>	<u>\$ 1,604,174</u>	<u>\$ 1,789,346</u>	<u>\$ 1,217,765</u>	<u>\$ 7,504,981</u>
Liabilities							
Current liabilities:							
Accounts payable	\$ 64,712	\$ 85,674	\$ 153,367	\$ 199,339	\$ 83,600	\$ 428,680	\$ 1,015,372
Accrued interest payable	2,081	-	-	-	-	-	2,081
Deposits payable	125	5,200	5,328	3,458	3,035	-	17,146
Current portion of long-term obligations	12,733	9,752	-	47,246	-	-	69,731
Total current liabilities	<u>79,651</u>	<u>100,626</u>	<u>158,695</u>	<u>250,043</u>	<u>86,635</u>	<u>428,680</u>	<u>1,104,330</u>
Noncurrent liabilities:							
Noncurrent portion of long-term obligations	264,776	-	90,000	70,000	-	-	424,776
Total liabilities	<u>344,427</u>	<u>100,626</u>	<u>248,695</u>	<u>320,043</u>	<u>86,635</u>	<u>428,680</u>	<u>1,529,106</u>
Net Position							
Net investment in capital assets	(81,737)	732,388	1,531,010	1,257,252	1,717,539	-	5,156,452
Unrestricted net position	(1,427)	72,873	(53,159)	26,879	(14,828)	789,085	819,423
Total net position	<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>
Total liabilities and net position	<u>\$ 261,263</u>	<u>\$ 905,887</u>	<u>\$ 1,726,546</u>	<u>\$ 1,604,174</u>	<u>\$ 1,789,346</u>	<u>\$ 1,217,765</u>	<u>\$ 7,504,981</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, 2016 *

	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	\$ 118,649	\$ 145,590	\$ -	\$ 26,941						\$ 26,941
Interest on long-term debt	25,464	-	-	(25,464)						(25,464)
Total -Pasadena Cottage, Inc	144,113	145,590	-	1,477						1,477
Pecan Village, Inc.										
HUD Section 811 program	122,118	77,413	-		(44,705)					(44,705)
Villas at Bayou Park, Inc.										
HUD Section 811 program	125,928	62,688	-			(63,240)				(63,240)
Pear Grove, Inc.										
HUD Section 811 program	116,073	69,989	-				(46,084)			(46,084)
Acres Homes Garden, Inc.										
HUD Section 811 program	106,760	72,370	-					(34,390)		(34,390)
Friends of MHMRA										
Fund raising activities	51,723	-	132,599						80,876	80,876
Total component units	<u>\$ 666,715</u>	<u>\$ 428,050</u>	<u>\$ 132,599</u>							<u>(106,066)</u>
General revenues:										
Investment earnings				21	70	64	206	47	3,227	3,635
Other income				-	5,250	35	5	20	-	5,310
Total general revenues and transfer				<u>21</u>	<u>5,320</u>	<u>99</u>	<u>211</u>	<u>67</u>	<u>3,227</u>	<u>8,945</u>
Change in net position				1,498	(39,385)	(63,141)	(45,873)	(34,323)	84,103	(97,121)
Net position - beginning of year				(84,662)	(255,054)	1,540,992	1,330,004	1,737,034	704,982	4,973,296
Prior period adjustment				-	1,099,700	-	-	-	-	1,099,700
Net position - beginning of year, as restated				<u>(84,662)</u>	<u>844,646</u>	<u>1,540,992</u>	<u>1,330,004</u>	<u>1,737,034</u>	<u>704,982</u>	<u>6,072,996</u>
Net position - ending				<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>

* Pasadena Cottages, Inc. is reported for the year ended May 31, 2016.

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

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THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

Notes to the Basic Financial Statements

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. 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 discretely presented 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 statement of net position and statement of activities display information about the Center as a whole. The statement of net position and statement 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 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 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 Fund

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 Fund

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 Trust 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 HHSC, generally before the beginning of the new fiscal year.

Budgetary control is maintained at the program 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, 2017 and 2016, 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 its position in qualifying external investment pools that measure for financial reporting purposes all of their investments at amortized cost. The Center's investment in 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 Expenses

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-side 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. The Center found that one of its clinics was not covered against damage caused by Hurricane Harvey.

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 these 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 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 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 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 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 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, 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.

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 circumstances.

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.

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation of Fund Balance of Governmental Funds to the Statement Net Position of 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 \$10,512,142 difference are as follows:

Notes payable	\$ 3,820,000
Compensated absences	<u>6,692,142</u>
Net adjustment to reduce Total Fund Balance of Governmental Funds to arrive at Net Position of Governmental Activities	<u>\$ 10,512,142</u>

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

The governmental funds “Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds” includes the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities. An element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.” The details of the \$(1,805,930) difference are as follows:

Capital outlay	\$ 1,525,734
Depreciation expense	<u>(3,331,664)</u>
Net adjustment to reduce Total Fund Balance of Governmental Funds to arrive at Net Position of Governmental Activities	<u>\$(1,805,930)</u>

4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government’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, 2017 and 2016, the balances per various financial institutions were \$32,494,467 and \$14,857,521, respectively. The Center’s deposits are not exposed to custodial credit risk since all deposits are collateralized 106.1% of the depository balance less an amount insured by the FDIC.

As of August 31, 2017, the Center had the following investments:

Investment	Weighted Average Maturity (Days)	Rating	Fair Value
Primary Government:			
U.S. Government Agency Securities:			
Federal Home Loan Mortgage Corp	150	AA+	\$ 9,989,210
Federal Home Loan Mortgage Corp	510	AA+	9,994,920
Certificates of Deposit	45	N/A	743,714
Local Government Investment Pools:			
TexPool	30	AAAm	15,239,616
Texas CLASS	79	AAAm	43,706
Portfolio weighted average maturity	197		\$ 36,011,166
Component Units:			
Certificates of Deposit	21	N/A	\$ 399,297

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:

	Primary Government	Component Units
Interest income – General Fund	\$ 449,908	\$ 5,728
Interest income – Proprietary Fund	13,037	-
Unrealized gain (loss) on temporary investments	(16,807)	-
Investment earnings	\$ 446,138	\$ 5,728

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, 2017, the Center held the following fair value measurements:

	Balance at August 31, 2017	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Primary Government:				
Investments measured at fair value:				
U.S. Government Agency Debt Securities	\$ 19,984,130	\$ -	\$ 19,984,130	\$ -
Certificates of Deposit	<u>743,714</u>	<u>-</u>	<u>743,714</u>	<u>-</u>
Total investments by fair value level	<u>20,727,844</u>	<u>-</u>	<u>20,727,844</u>	<u>-</u>
Investments measured at net asset value (NAV):				
Local Government Investment Pools:				
TexPool	15,239,616			
Texas CLASS	<u>43,706</u>			
Total investment pools measured by NAV	<u>15,283,322</u>			
Total primary government investments	<u>\$ 36,011,166</u>			
Component Units:				
Investments measured at fair value:				
Certificates of Deposit	\$ <u>399,297</u>	\$ -	\$ <u>399,297</u>	\$ -
Total investments by fair value level	<u>399,297</u>	<u>\$ -</u>	<u>\$ 399,297</u>	<u>\$ -</u>
Total component unit investments	<u>\$ 399,297</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, 2017, 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, 2017 and 2016, investments of \$15,239,616 and \$27,016,903 were held in the Texas Local Government Investment Pool ("TexPool"), and \$43,706 and \$0 were held in other local government investment pools for a total of \$15,283,322 and \$27,016,903 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.

5. ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following balances at August 31, 2017 and 2016, for the primary government:

	<u>2017</u>	<u>2016</u>
Due from other governments:		
Harris County	\$ 4,350,453	\$ 3,605,480
State and Federal	12,470,478	8,715,394
3rd party billings (net of allowance for uncollectible amounts of \$4,407,238 and \$2,427,323, respectively)	2,022,926	2,128,116
Other receivables	<u>735,257</u>	<u>482,790</u>
Total receivables (net)	<u>\$ 19,579,114</u>	<u>\$ 14,931,780</u>

6. CAPITAL ASSETS

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

	<u>Primary Government</u>			
	Balance as of September 1, 2016	Additions	Retirements	Balance as of August 31, 2017
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 6,023,411	\$ -	\$ -	\$ 6,023,411
Intangible Assets - Software in development	6,198,078	-	6,198,078	-
Total capital assets, not being depreciated	<u>12,221,489</u>	<u>-</u>	<u>6,198,078</u>	<u>6,023,411</u>
Capital assets being depreciated:				
Buildings and improvements	46,773,950	115,594	-	46,889,544
Furniture and Equipment	8,152,091	1,182,773	478,709	8,856,155
Vehicles	<u>1,528,035</u>	<u>227,366</u>	<u>206,553</u>	<u>1,548,848</u>
Total capital assets being depreciated	<u>56,454,076</u>	<u>1,525,733</u>	<u>685,262</u>	<u>57,294,547</u>
Total capital assets	<u>68,675,565</u>	<u>1,525,733</u>	<u>6,883,340</u>	<u>63,317,958</u>
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	<u>1,067,581</u>	<u>185,745</u>	<u>206,553</u>	<u>1,046,773</u>
Total accumulated depreciation	<u>27,394,220</u>	<u>3,331,664</u>	<u>685,262</u>	<u>30,040,622</u>
Governmental activities capital assets, net	<u>\$ 41,281,345</u>	<u>\$ (1,805,931)</u>	<u>\$ 6,198,078</u>	<u>\$ 33,277,336</u>

A summary of changes in general capital asset balances for the year ended August 31, 2016, is as follows:

	Primary Government			Balance as of August 31, 2016
	Balance as of September 1, 2015	Additions	Retirements	
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 6,023,411	\$ -	\$ -	\$ 6,023,411
Intangible Assets - Software in development	6,184,197	13,881	-	6,198,078
Total capital assets, not being depreciated	<u>12,207,607</u>	<u>13,881</u>	<u>-</u>	<u>12,221,489</u>
Capital assets being depreciated:				
Buildings and improvements	43,251,057	3,522,893		46,773,950
Furniture and Equipment	7,686,525	507,361	41,795	8,152,091
Vehicles	1,732,157	124,172	328,294	1,528,035
Total capital assets being depreciated	<u>52,669,739</u>	<u>4,154,426</u>	<u>370,089</u>	<u>56,454,076</u>
Total capital assets	<u>64,877,346</u>	<u>4,168,307</u>	<u>370,089</u>	<u>68,675,565</u>
Less accumulated depreciation for				
Buildings and improvements	17,278,809	2,679,316		19,958,125
Furniture and Equipment	5,816,412	593,897	41,795	6,368,514
Vehicles	1,226,247	169,628	328,294	1,067,581
Total accumulated depreciation	<u>24,321,468</u>	<u>3,442,841</u>	<u>370,089</u>	<u>27,394,220</u>
Governmental activities capital assets, net	<u>\$ 40,555,878</u>	<u>\$ 725,466</u>	<u>\$ -</u>	<u>\$ 41,281,345</u>

Depreciation expense for the years ended August 31, 2017 and 2016 were \$3,331,664 and \$3,442,841, respectively, and were charged to the following functions and activities:

	<u>2017</u>	<u>2016</u>
Primary government:		
Governmental Activities:		
General Administration	\$ 1,574,077	\$ 1,630,702
Adult Mental Health	815,385	804,243
Intellectual and Developmental Disabilities	367,028	386,392
Child and Adolescent	181,159	188,769
Crisis Center	394,015	432,735
Total governmental activities	<u>\$ 3,331,664</u>	<u>\$ 3,442,841</u>

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.

7. LONG-TERM LIABILITIES

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>555,134</u>	<u>6,692,143</u>	<u>250,000</u>
Governmental activities					
long-term liabilities	<u>\$ 11,484,952</u>	<u>\$ 673,754</u>	<u>\$ 1,646,563</u>	<u>\$ 10,512,143</u>	<u>\$ 1,341,429</u>

Long-term liability activity for the year ended August 31, 2016 was as follows:

	Balance as of September 1, 2015	Additions	Retirements	Balance as of August 31, 2016	Amounts due within One Year
Governmental activities					
Notes Payable:					
Bank notes payable	\$ 6,330,951	\$ -	\$(1,419,522)	\$ 4,911,429	\$ 1,091,429
Other liabilities:					
Compensated Absences	<u>6,264,743</u>	<u>1,788,144</u>	<u>(1,479,364)</u>	<u>6,573,523</u>	<u>250,000</u>
Governmental activities					
long-term liabilities	<u>\$ 12,595,694</u>	<u>\$ 1,788,144</u>	<u>\$(2,898,886)</u>	<u>\$ 11,484,952</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, 2017 are as follows:

Year ending August 31,	Principal	Interest	Total
2018	\$ 1,091,429	\$ 71,584	\$ 1,163,013
2019	1,091,429	49,563	1,140,992
2020	1,091,429	27,602	1,119,031
2021	<u>545,713</u>	<u>5,490</u>	<u>551,203</u>
	<u>\$ 3,820,000</u>	<u>\$ 154,238</u>	<u>\$ 3,974,238</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, 2017.

8. 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 \$1,484,722 and \$1,430,951 in 2017 and 2016, respectively.

The future minimum rental payments required under non-cancelable operating leases having remaining terms in excess of one year as of August 31, 2017 are as follows:

<u>Year ending August 31,</u>	
2018	\$ 292,469
2019	250,426
2020	251,549
2021	252,133
2022	56,063
2023-2027	<u>50,547</u>
	<u>\$ 1,153,187</u>

9. 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 \$22,415 and \$72,822 for the years ended August 31, 2017 and 2016, respectively.

The Center also received \$17,660,928 in financial support from the County in fiscal year 2017 and \$18,456,922 in fiscal year 2016.

10. 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.

The condensed cash basis financial statements for the Plan's fiscal years ended December 31, 2016, and 2015 are as follows:

**Statement of Fiduciary Net Position
December 31, 2016 and 2015**

	2016	2015
Assets		
Investments, at fair market value	\$ 73,044,613	\$ 65,877,719
Total assets	\$ 73,044,613	\$ 65,877,719
 Net Position		
Held in trust for pension benefits and other purposes	\$ 73,044,613	\$ 65,877,719

**Statement of Changes in Fiduciary Net Position
For the Years Ended December 31, 2016 and 2015**

	2016	2015
Additions		
Contributions:		
Employer	\$ 7,828,394	\$ 7,189,790
Forfeitures	(1,522,180)	(1,900,000)
Total contributions	6,306,214	5,289,790
Investment earnings:		
Net increase/(decrease) in fair value of investments	4,418,333	(1,101,278)
Dividends/ Interest	955,708	709,495
Other	130,219	188,405
Total investment earnings	5,504,260	(203,378)
Total additions	11,810,474	5,086,412
Deductions		
Benefits	4,480,093	3,268,538
Others	163,487	157,162
Total deductions	4,643,580	3,425,700
Change in net position	7,166,894	1,660,712
Net position, beginning of the year	65,877,719	64,217,007
Net position, end of the year	\$ 73,044,613	\$ 65,877,719

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. Initially, employee contributions were 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 2016 and 2015 amounted to \$1,522,180 and \$1,900,000, respectively, of which \$1,522,180 and \$1,900,000, respectively, was used against the Center's contributions for the year ended August 31, 2017 and 2016, respectively.

Beginning 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 earning 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, 2017, and 2016 amounted to \$6,306,214 and \$2,715,552 respectively.

The Plan's investments as of December 31, 2016 and 2015 were as follows:

	Fair Value	
	2016	2015
Wells Fargo Bank Investment Funds for Employee Benefit Trusts:		
Advantage Asset Allocation Fund	\$ 13,617,072	\$ 13,805,117
Stable Return Fund	7,748,772	7,016,031
Advantage Index Fund	9,450,850	8,461,325
Bond Index Fund	2,802,909	2,487,894
Investment Partners Fund	1,476,194	1,146,492
Large Cap Value Fund	270,576	233,072
MFS Value	840,995	617,623
Growth Fund	1,851,395	1,575,132
Small Cap Fund	913,502	662,665
Research International	604,745	647,204
Advantage Dow Jones Target Today	535,490	481,832
Advantage Dow Jones Target 2010	1,582,335	1,982,096
Advantage Dow Jones Target 2020	6,246,910	5,510,380
Advantage Dow Jones Target 2030	8,522,387	7,422,696
Advantage Dow Jones Target 2040	11,101,010	13,828,160
Advantage Dow Jones Target 2050	5,325,541	-
Advantage Dow Jones Target 2060	153,930	-
Total	\$ 73,044,613	\$ 65,877,719

The investments are valued at fair value by the Trustee based on published prices as of December 31, 2016 and 2015. These investments are held in trust in the name of the Plan by the bank's trust department.

11. 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.

12. CONTINGENCIES

The Center is named defendant in various 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 its 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 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.

13. 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, 2017 and 2016 were \$26,399,768 and \$26,667,005, respectively. The PAP and sample drugs received and provided to the consumers reduce the total drug expense that the Center would otherwise incur without these programs.

The Center is deemed as the payor of last resort for these medications. The Center recognizes the benefits of the PAP program to its consumers and has dedicated staff to assist the consumers in applying for PAP programs through 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 its consumers. Although the Center dispenses these drugs to its consumers, ownership of the medications passes directly from the pharmaceutical companies to the Center's consumers. Therefore, the amounts listed above are not reflected in the Center's Statement of Revenue, Expenditures and Changes in Fund Balance or the Government-wide Statement of Activities.

14. IMPAIRMENT OF INTERNALLY GENERATED INTANGIBLE ASSETS

In a prior year, the Center entered into an interlocal agreement with the Mental Health Mental Retardation of Tarrant County ("MHMRTC") to jointly develop a computer software to improve and enhance the management and delivery of mental health, intellectual and developmental disability, early childhood intervention, and addiction services to their respective communities. They contracted with Co-centrix, a software development company, to pursue this end.

The Center and MHMRTC equally shared the costs and any potential revenues associated with the development, implementation, integration, and marketing of software products and services that resulted from this joint venture.

In fiscal year 2009, Phase I (Discovery) of this joint project started. It dealt with documentation of the “as is” processes, performed a “gap analysis” between the centers and documented the same, described the “to be” process which has been agreed upon by both centers and documented a delivery mechanism for each business process. At this phase, the “to be” processes were formulated and alternatives were evaluated, and the final selection of the alternatives for the development of the software was made.

At the start of fiscal year 2010, Phase II (Implementation) was launched to review and make decisions related to programmatic and technical issues which impact how the software system was to be configured and used. This process continued on into fiscal year 2015 when another community center, Metrocare Services, after consulting with the Center and MHMRTC, decided to buy the source codes of the program from Co-centrix with the intent of developing the software themselves, in collaboration with the two original centers.

Metrocare Services, through its spin-offed software developer, Xenatix, initially indicated that the first phase of the software rollout would have been on January, 2017. This roll-out did not materialize and further delays were incurred by Xenatix. Due to the urgency of the need to adopt a new software by MHMRTC, it was decided during the year that the contract with Xenatix be terminated. Accordingly, the Center elected to stop development of the software and the intangible assets associated with this joint venture were reduced to fair value, which was determined to be lower than carrying value. As this event was within the control of management and infrequent in occurrence, it is reported as a special item in the Statement of Activities.

The Center subsequently decided to search again for a clinical and billing software that will meet its needs.

15. DELIVERY SYSTEM REFORM INCENTIVE PAYMENTS

In 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 fiscal year 2017, the Center submitted and was approved for 21 DSRIP internal projects and 5 external DSRIP projects with a total valuation of \$243,120,841. These projects are scheduled to end by September 2017. The Texas Health and Human Services Commission applied for an extension of this waiver and was granted up to December 31, 2017. In the meantime, revenues from these projects continue to be received at least twice a year and are recognized as soon as they 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.

16. SUBSEQUENT EVENT

On October 20, 2017, the Center submitted a Request for Public Assistance to the Federal Emergency Management Agency relative to its damages incurred as a result of Hurricane Harvey. In Texas, this federal public assistance is being managed by the Texas Department of Public Safety and the Texas Department of Emergency Management. A series of meetings have been held between the representatives of these State agencies and the Center. Initially, and subject to further revisions, a total damage of \$4,648,605 has been reported.

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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, 2017

	Total
Governmental Funds Capital Assets	
Land	\$ 6,023,411
Buildings	23,275,672
Furniture and Equipment	8,856,155
Leasehold Improvements	23,613,872
Vehicles	1,548,848
Total Governmental Fund Capital Assets	\$ 63,317,958
 Investment in Governmental Funds Capital Assets by Source	
General Fund	\$ 63,317,958
 Total Investment in Governmental Funds Capital Assets	\$ 63,317,958

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, 2017

Function	Land	Buildings	Equipment and Furniture	Leasehold Improvements	Vehicles	Total
Mental Health	\$ 1,895,148	\$ 5,901,717	\$ 2,365,744	\$ 5,164,083	\$ 433,779	\$ 15,760,471
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>2,449,347</u>	<u>10,441,876</u>	<u>4,421,755</u>	<u>12,370,361</u>	<u>180,368</u>	<u>29,863,707</u>
Total Governmental Fund Capital Assets	<u>\$ 6,023,411</u>	<u>\$ 23,275,672</u>	<u>\$ 8,856,155</u>	<u>\$ 23,613,872</u>	<u>\$ 1,548,848</u>	<u>\$ 63,317,958</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, 2017

Function	Governmental Fund Capital Assets August 31, 2016	Additions	Retirements	Governmental Fund Capital Assets August 31, 2017
Mental Health	\$ 15,265,326	\$ 533,846	\$ 38,701	\$ 15,760,471
Intellectual and Developmental Disabilities	7,220,085	-	33,889	7,186,196
Child and Adolescent	3,359,016	-	-	3,359,016
Crisis Center	7,248,883	-	100,315	7,148,568
Administration	<u>35,582,255</u>	<u>991,887</u>	<u>6,710,435</u>	<u>29,863,707</u>
Total Governmental Fund Capital Assets	<u>\$ 68,675,565</u>	<u>\$ 1,525,733</u>	<u>\$ 6,883,340</u>	<u>\$ 63,317,958</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, 2017 and 2016

	Balance September 1, 2016	Additions	Deductions	Balance August 31, 2017
<u>Client Trust</u>				
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>

	Balance September 1, 2015	Additions	Deductions	Balance August 31, 2016
<u>Client Trust</u>				
Assets				
Cash and cash equivalents	\$ <u>18,894</u>	\$ <u>70,689</u>	\$ <u>59,815</u>	\$ <u>29,768</u>
Liabilities				
Due to clients	\$ <u>18,894</u>	\$ <u>70,689</u>	\$ <u>59,815</u>	\$ <u>29,768</u>

STATISTICAL SECTION

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

NET POSITION BY COMPONENT (UNAUDITED)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 12,839,801	\$ 12,106,397	\$ 14,192,234	\$ 13,105,363
Unrestricted	<u>34,598,005</u>	<u>40,729,973</u>	<u>42,140,254</u>	<u>47,149,860</u>
Total governmental activities net position	<u>\$ 47,437,806</u>	<u>\$ 52,836,370</u>	<u>\$ 56,332,488</u>	<u>\$ 60,255,223</u>

TABLE 1

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 18,340,667	\$ 19,361,119	\$ 21,640,340	\$ 34,224,927	\$ 36,369,915	\$ 29,457,336
<u>41,232,357</u>	<u>42,452,145</u>	<u>57,323,346</u>	<u>44,503,224</u>	<u>44,756,241</u>	<u>49,448,325</u>
<u>\$ 59,573,024</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>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

CHANGES IN NET POSITION (UNAUDITED) Last Ten Fiscal Years (Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
EXPENSES				
Governmental activities:				
Adult Mental Health	\$ 48,668,914	\$ 46,597,293	\$ 51,522,383	\$ 48,335,141
Intellectual & Developmental Disabilities	33,116,707	37,666,929	42,441,157	42,563,470
Child and Adolescent	16,316,746	15,939,526	16,106,665	16,955,321
Crisis Center	20,028,746	27,250,245	31,573,042	30,217,489
Community Hospital	23,306,273	23,274,922	27,450,626	27,227,020
Managed Care - BHO	-	-	-	-
Interest on long-term debt	380,687	326,553	287,043	244,779
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	51,371,498	51,123,437	55,264,007	54,026,517
Intellectual & Developmental Disabilities	30,004,539	33,356,775	38,000,713	39,980,786
Child and Adolescent	13,502,038	13,983,388	14,657,202	15,680,291
Crisis Center	6,084,693	11,203,837	17,617,875	14,251,271
Community Hospital	23,306,273	23,274,922	27,450,626	27,227,020
Total governmental activities program revenue	<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:				
Payment from Harris County	17,736,332	20,402,681	18,814,978	17,648,131
Grants and contributions not restricted to specific programs		686,713	49,872	62,743
Investment earnings	1,228,325	320,117	176,940	216,198
Other income	362,001	2,459,743	821,179	360,534
Gain on sale of capital assets	6,348	73,818	23,642	12,464
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>

TABLE 2

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	51,359,838	\$ 52,421,224	\$ 68,146,563	\$ 83,226,544	\$ 91,091,630	\$ 94,427,168
	39,042,871	39,367,361	41,147,139	42,673,928	38,577,809	38,175,764
	16,891,756	17,564,259	18,916,913	21,764,369	21,301,580	23,608,324
	29,822,983	30,768,150	35,956,233	39,378,723	41,615,210	45,643,088
	27,060,660	32,038,969	31,481,431	32,526,192	34,458,349	34,900,020
	-	-	-	-	-	93,605
	<u>200,251</u>	<u>152,415</u>	<u>179,191</u>	<u>186,749</u>	<u>119,925</u>	<u>-</u>
	<u>164,378,359</u>	<u>172,312,378</u>	<u>195,827,470</u>	<u>219,756,505</u>	<u>227,164,503</u>	<u>236,847,969</u>
	51,391,116	54,595,205	79,297,874	81,106,844	88,451,372	94,709,224
	35,821,059	35,644,524	37,584,146	37,907,793	36,024,333	39,072,798
	16,699,140	15,991,984	16,502,431	22,847,722	21,461,922	22,047,046
	15,019,426	17,947,672	30,519,423	27,720,845	33,418,720	35,709,458
	<u>23,529,696</u>	<u>28,493,696</u>	<u>28,406,319</u>	<u>29,693,696</u>	<u>30,800,496</u>	<u>30,800,496</u>
	<u>142,460,437</u>	<u>152,673,081</u>	<u>192,310,193</u>	<u>199,276,900</u>	<u>210,156,843</u>	<u>222,339,022</u>
(21,917,922)	(19,639,297)	(3,517,277)	(20,479,605)	(17,007,660)	(14,508,947)
	18,321,679	18,510,676	18,640,633	19,356,844	18,456,922	17,660,928
	2,049,343	2,039,362	1,992,355	2,929	-	-
	386,127	(17,127)	308,905	222,109	295,372	446,138
	452,334	1,232,202	273,597	655,615	602,361	334,602
	26,240	19,520	24,478	6,560	51,010	44,862
	-	-	-	-	-	(6,198,078)
	<u>21,235,723</u>	<u>21,784,633</u>	<u>21,239,968</u>	<u>20,244,057</u>	<u>19,405,665</u>	<u>12,288,452</u>
\$	<u><u>(682,199)</u></u>	<u><u>\$ 2,145,336</u></u>	<u><u>\$ 17,722,691</u></u>	<u><u>\$(235,548)</u></u>	<u><u>\$ 2,398,005</u></u>	<u><u>\$(2,220,495)</u></u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund:				
Reserved for:				
Inventories	\$ 272,749	\$ 198,810	\$ -	\$ -
Prepaid	259,879	200,023	-	-
Unreserved:				
Designated funds:				
Infrastructure development	4,724,172	5,800,000	-	-
Self insurance	2,000,000	2,000,000	-	-
Debt repayment		5,269,922	-	-
Compensated Absences		2,720,129	-	-
Others	1,599,190	743,037	-	-
General fund - undesignated	26,099,337	24,370,717	-	-
Nonspendable:				
Inventories	-	-	182,569	163,914
Prepaid	-	-	333,053	271,022
Committed:				
Delivery System Reform Incentive Projects	-	-	-	-
Assigned:				
Infrastructure development	-	-	5,800,000	5,800,000
Self insurance	-	-	2,000,000	2,000,000
Debt repayment	-	-	4,560,702	3,809,183
Compensated absences	-	-	3,123,753	3,219,676
Other purposes	-	-	748,029	405,876
Unassigned:	<u>-</u>	<u>-</u>	<u>26,364,127</u>	<u>29,123,629</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.

TABLE 3

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	138,908	147,974	195,217	230,342	244,856	233,710
	315,871	408,202	875,965	585,604	785,019	832,283
	-	2,451,869	16,760,603	10,231,836	3,895,406	3,895,406
	5,800,000	5,800,000	5,800,000	2,994,473	799,744	204,866
	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	3,012,954	2,169,977	8,369,816	6,330,951	4,911,428	3,820,000
	3,342,268	3,435,430	5,247,282	6,264,742	6,573,523	6,692,142
	409,768	414,460	404,706	394,052	410,498	426,944
	<u>27,397,775</u>	<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>42,417,544</u>	<u>\$ 43,155,969</u>	<u>\$ 60,410,565</u>	<u>\$ 48,606,866</u>	<u>\$ 49,162,920</u>	<u>\$ 53,960,616</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)

	2008	2009	2010	2011
Revenues				
Local	\$ 53,333,683	\$ 57,888,002	\$ 59,426,076	\$ 62,937,932
State	76,936,456	83,161,961	95,527,987	94,597,104
Federal	<u>13,270,045</u>	<u>15,740,531</u>	<u>17,895,020</u>	<u>11,915,483</u>
Total revenues	<u>143,540,184</u>	<u>156,790,494</u>	<u>172,849,083</u>	<u>169,450,519</u>
Expenditures				
Salaries	71,521,224	78,101,016	87,604,734	88,266,962
Employee benefits	15,468,903	17,663,317	21,182,041	21,811,119
Professional and consultant services	7,207,549	7,714,718	10,233,262	9,226,159
Training and travel	2,002,900	2,493,567	2,635,039	2,759,524
Debt service:				
Principal	1,020,471	670,315	709,220	751,518
Interest	380,687	326,553	287,043	244,779
Capital outlay	462,607	229,360	2,691,961	2,857,896
Non-capitalized equipment	767,841	2,388,284	1,517,604	418,692
Pharmaceutical	7,261,937	3,733,380	1,732,486	1,683,525
Other operating	<u>36,212,343</u>	<u>37,031,315</u>	<u>42,469,740</u>	<u>39,761,742</u>
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)				
Capital leases	167,227	-	-	-
Debt proceeds used to fund capital expenditures	-	-	-	-
Proceeds from sale of capital assets	<u>26,370</u>	<u>340,041</u>	<u>23,642</u>	<u>12,464</u>
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	 0.99%	 0.66%	 0.59%	 0.60%

TABLE 4

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	64,363,140	\$ 67,052,301	\$ 66,236,188	\$ 70,714,740	\$ 69,599,303	\$ 75,768,153
	89,622,892	94,319,225	104,833,857	102,911,444	110,851,190	105,272,006
	<u>9,681,399</u>	<u>13,159,316</u>	<u>42,454,903</u>	<u>45,887,191</u>	<u>49,055,292</u>	<u>59,727,494</u>
	<u>163,667,431</u>	<u>174,530,842</u>	<u>213,524,948</u>	<u>219,513,375</u>	<u>229,505,785</u>	<u>240,767,653</u>
	86,527,045	89,048,998	101,194,770	118,697,865	124,691,712	127,899,575
	22,239,368	22,691,270	25,433,141	29,254,007	28,011,451	33,125,125
	7,384,814	7,713,373	10,351,530	10,240,517	10,575,182	11,043,922
	2,979,031	2,927,971	2,969,507	3,278,161	3,337,267	3,175,896
	796,229	842,977	1,440,160	2,038,866	1,419,522	1,091,429
	200,251	152,415	179,191	186,749	119,925	93,605
	2,375,254	1,560,933	10,551,229	12,002,583	4,168,307	1,525,735
	1,037,372	1,152,194	1,805,330	3,589,925	2,128,168	2,890,221
	1,471,468	1,133,818	1,274,994	1,377,772	1,886,395	1,887,370
	<u>41,058,750</u>	<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>166,069,582</u>	<u>173,239,667</u>	<u>203,934,839</u>	<u>231,323,634</u>	<u>229,000,711</u>	<u>236,014,849</u>
(2,402,151)	1,291,175	9,590,109	(11,810,259)	505,074	4,752,804
	-	-	-	-	-	-
	-	-	7,640,000	-	-	-
	<u>26,240</u>	<u>19,520</u>	<u>24,478</u>	<u>6,560</u>	<u>51,010</u>	<u>44,862</u>
	<u>26,240</u>	<u>19,520</u>	<u>7,664,478</u>	<u>6,560</u>	<u>51,010</u>	<u>44,862</u>
\$	<u>(2,375,911)</u>	<u>\$ 1,310,695</u>	<u>\$ 17,254,587</u>	<u>\$ (11,803,699)</u>	<u>\$ 556,084</u>	<u>\$ 4,797,666</u>
	0.61%	0.58%	0.84%	1.01%	0.68%	0.51%

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

PRINCIPAL SOURCES OF REVENUES (UNAUDITED) Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Local				
County government	\$ 26,851,273	\$ 30,366,731	\$ 29,728,217	\$ 28,681,523
Medicaid/Medicare	12,496,212	12,503,786	15,323,885	21,637,710
Other	<u>13,986,198</u>	<u>15,017,485</u>	<u>14,373,974</u>	<u>12,618,699</u>
Total local revenues	<u>53,333,683</u>	<u>57,888,002</u>	<u>59,426,076</u>	<u>62,937,932</u>
State				
Texas Department of Health and Human Services				
Texas Department of State Health Services				
General Revenue	58,835,494	63,574,567	74,076,314	74,500,636
Department of Aging and Disability Services -				
General Revenue	11,898,169	12,150,341	14,979,825	13,654,580
Early Childhood Intervention	2,150,183	2,375,698	1,906,946	2,115,314
Texas Council on Offenders with Mental Impairments	3,385,933	3,598,828	3,394,902	3,354,574
Other state agencies	<u>666,677</u>	<u>1,462,527</u>	<u>1,170,000</u>	<u>972,000</u>
Total state revenues	<u>76,936,456</u>	<u>83,161,961</u>	<u>95,527,987</u>	<u>94,597,104</u>
Federal				
Mental Health Block Grant	3,081,806	3,081,806	3,081,806	3,081,806
Early Childhood Intervention	5,208,576	6,359,357	5,920,373	4,607,965
Delivery System Reform Incentive				
Other federal revenues	<u>4,979,663</u>	<u>6,299,368</u>	<u>8,892,841</u>	<u>4,225,712</u>
Total federal revenues	<u>13,270,045</u>	<u>15,740,531</u>	<u>17,895,020</u>	<u>11,915,483</u>
Total revenues	<u>\$ 143,540,184</u>	<u>\$ 156,790,494</u>	<u>\$ 172,849,083</u>	<u>\$ 169,450,519</u>

TABLE 5

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 28,132,939	\$ 29,273,302	\$ 30,412,676	\$ 35,157,223	\$ 34,692,528	\$ 34,924,970
21,780,636	24,152,125	22,121,662	25,428,729	26,193,236	31,322,850
14,449,720	13,626,874	13,701,859	10,128,788	8,713,539	9,520,333
<u>64,363,295</u>	<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>
75,919,706	80,410,871	90,691,945	87,856,785	94,957,960	90,760,137
8,803,727	8,799,578	8,790,754	9,382,704	8,917,182	9,306,535
1,073,474	1,255,837	1,219,655	1,494,851	2,994,853	1,097,691
2,787,591	2,773,939	2,866,406	3,077,654	3,116,905	3,303,917
1,038,394	1,079,000	1,265,097	1,099,450	864,290	803,726
<u>89,622,892</u>	<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>
3,081,806	3,081,806	3,081,806	3,081,806	3,081,806	3,081,806
2,746,242	2,131,105	2,068,766	3,075,730	1,264,006	3,131,375
	2,837,339	30,532,366	31,166,380	32,782,283	41,080,250
<u>3,853,351</u>	<u>7,946,405</u>	<u>6,771,965</u>	<u>8,563,275</u>	<u>11,927,197</u>	<u>12,434,063</u>
<u>9,681,399</u>	<u>15,996,655</u>	<u>42,454,903</u>	<u>45,887,191</u>	<u>49,055,292</u>	<u>59,727,494</u>
<u>\$ 163,667,586</u>	<u>\$ 177,368,181</u>	<u>\$ 213,524,957</u>	<u>\$ 219,513,375</u>	<u>\$ 229,505,785</u>	<u>\$ 240,767,653</u>

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TABLE 6

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

SCHEDULE OF INDIRECT COSTS (UNAUDITED)

For the Year Ended August 31, 2017

	<u>Total Costs</u>	<u>Non Allowable Costs</u>	<u>Depreciation</u>	<u>Total Adjusted Costs</u>	<u>Indirect Costs</u>	<u>Direct Costs</u>
Salaries and wages	\$ 161,024,700	\$ -	\$ -	\$ 161,024,700	\$ 15,225,900	\$ 112,555,056
Employee Benefits	-	-	-	-	4,079,455	29,045,670
Debt service	1,185,034	(1,091,429)	-	93,605	75,463	18,142
Capital outlay	1,525,735	(1,525,735)	-	-	-	-
Pharmaceutical	1,887,370	-	-	1,887,370	1,800	1,887,370
Depreciation	-	-	3,331,664	3,331,664	1,574,077	1,757,587
Other	<u>70,392,010</u>	<u>51,963</u>	<u>-</u>	<u>70,443,973</u>	<u>9,825,662</u>	<u>60,735,130</u>
Total Expenditures	<u>\$ 236,014,849</u>	<u>\$(2,565,201)</u>	<u>\$ 3,331,664</u>	<u>\$ 236,781,312</u>	<u>\$ 30,782,357</u>	<u>\$ 205,998,955</u>
Indirect Costs						\$ 30,782,357
Direct Costs						\$ 205,998,955
Indirect Cost Rate						14.94%

TABLE 7

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

SCHEDULE OF DIRECT AND INDIRECT COSTS (UNAUDITED)

For the Year Ended August 31, 2017

	<u>Total Costs</u>	<u>Adjustments/ Exclusions</u>	<u>Indirect Costs</u>	<u>Direct Costs</u>
EXPENDITURES:				
Personnel costs:				
Salaries and wages	\$ 127,780,956	\$ -	\$ 15,225,900	\$ 112,555,056
Fringe benefits	33,125,125	-	4,079,455	29,045,670
Consultation and professional fees	1,196,969	(2,138)	130,461	1,064,370
Travel - board and staff	3,175,896	(8,849)	130,304	3,036,743
Consumable supplies:				
Drugs	1,889,170	-	1,800	1,887,370
Food	388,355	(50,945)	22,096	315,314
Other	1,284,788	(124)	234,715	1,049,949
Furniture and equipment:				
Capital expenditures	1,182,774	(1,182,774)	-	-
Rental	258,540	-	50,795	207,745
Repair and maintenance	2,961,133	-	2,582,006	379,127
Building:				
Capital expenditures from general operation	115,594	(115,594)	-	-
Rental	566,614	-	23,741	542,873
Repair and maintenance	2,987,353	-	2,025,272	962,081
Vehicles:				
Capital expenditures	227,366	(227,366)	-	-
Rental	7,188	-	7,188	-
Repair and maintenance	264,849	-	56,030	208,819
Contract with service agencies	47,609,131	-	179,606	47,429,525
Other:				
Utilities, postage and telephone	2,845,211	-	1,212,340	1,632,871
Client transportation	74,329	-	-	74,329
Audit and legal fees	222,427	-	222,427	-
Insurance	1,014,031	-	994,106	19,925
Meetings	1,081	-	594	487
Transfer and storage	91,485	-	38,603	52,882
Dues and subscriptions	249,177	-	222,829	26,348
Payment on note principal	1,091,429	(1,091,429)	-	-
Interest charges	93,605	-	75,463	18,142
Laboratory	231,088	-	48	231,040
Security	738,914	-	392,781	346,133
Miscellaneous	4,340,271	114,018	1,299,720	3,154,569
Total expenditures	\$ 236,014,849	\$(2,565,201)	\$ 29,208,280	\$ 204,241,368
Equipment and vehicle depreciation	\$ 1,029,781	\$ -	\$ 445,586	\$ 584,195
Buildings and improvements depreciation	2,301,883	-	1,128,491	1,173,392
Total	\$ 239,346,513	\$(2,565,201)	\$ 30,782,357	\$ 205,998,955
Indirect costs			\$ 30,782,357	
Direct costs			\$ 205,998,955	14.94%

TABLE 8

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

LOCAL SERVICE AREA POPULATION (UNAUDITED)

August 31, 2017

Population of local service areas for which the following centers are the local Mental Health and Mental Retardation Authority. (Source: Texas Department of State Health Services, Projected FY 2017)

<u>Center</u>	<u>Mental Health Population</u>	<u>Intellectual & Developmental Disability Population</u>
ACCESS	116,614	116,614
Alamo Local Authority	-	1,953,028
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	-
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
Community Healthcore	481,377	481,377
Concho Valley	131,570	131,570
Dallas Metrocare Services	-	2,552,920
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
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	740,606
LifePath Systems	1,025,618	1,025,618
NorthStar	3,123,340	-
Nueces County	365,275	365,275
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
Texas Panhandle	429,141	429,141
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
2008	3,935,855	4.2%	\$ 194,177,877,000	\$ 49,336
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%	(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
2008	\$ 5,940,236	\$ 5,940,236	\$ 194,177,877,000	0.0031%	\$ 1.52
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	(A)	(A)	

Note: Details regarding the Agency'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

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THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

PRINCIPAL CORPORATE EMPLOYERS IN THE CATCHMENT AREA (UNAUDITED)

Current Year and Nine Years Ago

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Memorial Hermann Health System	24,000	1	0.78%	13,700	4	0.54%
The University of Texas MD Anderson Cancer Center	20,000	2	0.65%	-	-	-
United Airlines	15,000	3	0.48%	-	-	-
Houston Methodist	14,985	4	0.48%	-	-	-
Exxon Mobil Corporation	13,000	5	0.42%	14,800	3	0.59%
UTMB Health	12,448	6	0.40%	-	-	-
Kroger Company	12,000	7	0.39%	-	-	-
Shell Oil Company	11,892	8	0.38%	12,000	5	0.48%
National Oilwell Varco	11,563	9	0.37%	-	-	-
Schlumberger	10,000	10	0.32%	-	-	-
Adminstaff Inc.				20,800	1	0.82%
Walmart Stores, Inc.				16,500	2	0.65%
Methodist Hospital System				8,600	6	0.34%
Baker Hughes Inc.				8,000	7	0.32%
Baylor College of Medicine				7,200	8	0.29%
Chevron				7,000	9	0.28%
BP America				6,500	10	0.26%
	<u>144,888</u>			<u>115,100</u>		

* Based on calendar year.

Source: Houston Business Journal, Business First Survey/Greater Houston Partnership/HBJ

Note: Total County employment for 2017 was an estimated 3,095,420 (based on prior year employment figures) and for 2008 was 2,525,000.

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

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

Last Ten Fiscal Years

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Adult Mental Health	475	534	482	569
IDD	441	471	520	472
Child and Adolescent	190	192	249	191
Crisis Center	241	277	284	268
Administration	<u>194</u>	<u>203</u>	<u>146</u>	<u>142</u>
Total	<u><u>1,541</u></u>	<u><u>1,677</u></u>	<u><u>1,681</u></u>	<u><u>1,642</u></u>

TABLE 12

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
579	591	750	884	889	915
458	430	450	476	421	419
200	194	226	246	245	253
284	269	302	344	371	371
<u>148</u>	<u>150</u>	<u>174</u>	<u>182</u>	<u>190</u>	<u>205</u>
<u><u>1,669</u></u>	<u><u>1,634</u></u>	<u><u>1,902</u></u>	<u><u>2,132</u></u>	<u><u>2,116</u></u>	<u><u>2,163</u></u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Admissions:				
Mental Health	21,696	13,773	18,114	22,758
IDD	<u>6,626</u>	<u>9,777</u>	<u>14,116</u>	<u>9,551</u>
Total admissions	<u>28,322</u>	<u>23,550</u>	<u>32,230</u>	<u>32,309</u>
Total clients served (unduplicated):				
Mental Health	28,233	30,672	30,290	36,112
IDD	<u>11,973</u>	<u>14,348</u>	<u>17,836</u>	<u>16,631</u>
Total clients served	<u>40,206</u>	<u>45,020</u>	<u>48,126</u>	<u>52,743</u>

TABLE 13

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
11,305	10,295	12,755	12,646	13,298	11,213
<u>2,241</u>	<u>1,951</u>	<u>2,329</u>	<u>2,272</u>	<u>2,275</u>	<u>2,083</u>
<u>13,546</u>	<u>12,246</u>	<u>15,084</u>	<u>14,918</u>	<u>15,573</u>	<u>13,296</u>
26,384	30,944	26,780	28,197	30,261	33,265
<u>17,185</u>	<u>15,019</u>	<u>17,715</u>	<u>18,222</u>	<u>18,988</u>	<u>20,318</u>
<u>43,569</u>	<u>45,963</u>	<u>44,495</u>	<u>46,419</u>	<u>49,249</u>	<u>53,583</u>

TABLE 14

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

GENERAL FUND REVENUE BY SOURCE OF FUNDS (UNAUDITED)

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Local Funds</u>	<u>State Funds</u>	<u>Federal Funds</u>	<u>Total</u>
2008	\$ 53,333,683	\$ 76,936,456	\$ 13,270,045	\$ 143,540,184
2009	57,888,002	83,161,961	15,740,531	156,790,494
2010	59,426,073	95,527,986	17,895,019	172,849,078
2011	62,937,932	94,597,104	11,915,483	169,450,519
2012	64,363,140	89,622,891	9,681,399	163,667,430
2013	67,052,301	94,319,225	13,159,316	174,530,842
2014	66,236,197	104,833,857	42,454,903	213,524,957
2015	70,714,740	102,911,444	45,887,191	219,513,375
2016	69,599,303	110,851,190	49,055,292	229,505,785
2017	75,768,153	105,272,006	59,727,494	240,767,653

TABLE 15

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

Last Ten Fiscal Years

Fiscal Year	Mental Health	Intellectual & Developmental Disabilities	Administration	Total
2008	\$ 100,027,256	\$ 29,888,424	\$ 12,390,782	\$ 142,306,462
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

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

CAPITAL ASSETS BY GOVERNMENTAL ACTIVITY (UNAUDITED)

Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Adult Mental Health				
Land	\$ 1,774,221	\$ 1,774,221	\$ 1,895,148	\$ 1,895,148
Buildings and improvements	10,563,939	10,563,939	11,047,650	11,047,650
Equipment and furniture	1,996,762	1,995,971	2,171,348	2,160,381
Vehicles	<u>152,654</u>	<u>152,654</u>	<u>129,551</u>	<u>129,551</u>
Total capital assets for Adult Mental Health	<u>14,487,576</u>	<u>14,486,785</u>	<u>15,243,697</u>	<u>15,232,730</u>
Intellectual & Developmental Disabilities				
Land	870,772	870,772	916,080	916,080
Buildings and improvements	4,781,827	4,781,827	4,963,058	4,963,058
Equipment and furniture	1,453,042	1,452,466	1,453,030	1,462,270
Vehicles	<u>469,777</u>	<u>469,777</u>	<u>394,576</u>	<u>394,576</u>
Total capital assets for Intellectual & Developmental Disabilities	<u>7,575,418</u>	<u>7,574,842</u>	<u>7,726,744</u>	<u>7,735,984</u>
Child and Adolescent				
Land	138,700	138,700	174,011	174,011
Buildings and improvements	2,496,099	2,496,099	2,637,343	2,637,343
Equipment and furniture	<u>705,839</u>	<u>705,559</u>	<u>705,833</u>	<u>701,957</u>
Total capital assets for Child and Adolescent	<u>3,340,638</u>	<u>3,340,358</u>	<u>3,517,187</u>	<u>3,513,311</u>
Crisis Center				
Land	-	-	-	-
Buildings and improvements	2,439,691	2,439,691	2,439,691	2,619,061
Equipment and furniture	548,908	573,344	567,247	564,375
Vehicles	<u>395,747</u>	<u>468,553</u>	<u>436,938</u>	<u>436,938</u>
Total capital assets for Crisis Center	<u>3,384,346</u>	<u>3,481,588</u>	<u>3,443,876</u>	<u>3,620,374</u>
Administration				
Land	531,068	436,250	436,250	436,250
Buildings and improvements	4,390,552	4,033,428	4,033,428	4,033,428
Equipment and furniture	4,992,763	1,991,973	1,992,746	2,861,455
Vehicles	175,819	171,925	155,702	173,516
Intangible assets - software	<u>-</u>	<u>-</u>	<u>1,365,734</u>	<u>3,113,739</u>
Total capital assets for Administration	<u>10,090,202</u>	<u>6,633,576</u>	<u>7,983,860</u>	<u>10,618,388</u>
Total capital assets	<u>\$ 38,878,180</u>	<u>\$ 35,517,149</u>	<u>\$ 37,915,364</u>	<u>\$ 40,720,787</u>

TABLE 16

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	1,895,148	\$ 1,895,148	\$ 1,895,148	\$ 1,895,148	\$ 1,895,148	\$ 1,895,149
	11,060,635	11,060,635	11,065,800	11,065,800	11,065,800	11,065,800
	2,169,897	1,687,157	1,855,258	1,855,258	2,059,264	2,365,743
	129,551	220,527	220,527	220,527	245,114	433,779
	<u>15,255,231</u>	<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>
	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
	1,469,196	1,117,907	1,111,807	1,111,807	1,111,807	1,111,807
	<u>374,226</u>	<u>428,012</u>	<u>447,510</u>	<u>447,510</u>	<u>211,828</u>	<u>177,939</u>
	<u>7,739,872</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>
	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>705,321</u>	<u>534,677</u>	<u>534,677</u>	<u>534,677</u>	<u>534,677</u>	<u>534,677</u>
	<u>3,529,660</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
	2,619,061	2,619,061	2,619,061	3,048,836	5,380,809	5,380,809
	566,869	428,072	422,172	422,172	422,172	422,172
	452,679	611,755	746,952	850,104	857,077	756,762
	<u>3,638,609</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>
	436,250	436,250	2,449,346	2,449,346	2,449,346	2,449,346
	4,033,428	4,033,428	11,617,450	21,505,723	22,696,643	22,812,237
	2,984,690	2,563,682	2,865,744	3,762,611	4,024,171	4,421,756
	173,516	196,203	214,016	214,016	214,016	180,368
	<u>5,102,008</u>	<u>5,928,585</u>	<u>6,142,885</u>	<u>6,184,197</u>	<u>6,198,078</u>	<u>-</u>
	<u>12,729,892</u>	<u>13,158,148</u>	<u>23,289,441</u>	<u>34,115,893</u>	<u>35,582,254</u>	<u>29,863,707</u>
\$	<u>42,893,264</u>	<u>42,481,888</u>	<u>52,929,142</u>	<u>64,877,346</u>	<u>68,675,564</u>	<u>63,317,958</u>

TABLE 17

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
RECONCILIATION OF TOTAL REVENUES TO FOURTH QUARTER FINANCIAL REPORT
(UNAUDITED)
For the Year Ended August 31, 2017

	Revenues			
	Per Center Report	Additions	Deletions	Per Audited Financial Statements
Local Revenues				
Harris County	\$ 34,884,076	\$ 62,661 (b)	\$ 21,767 (b)	\$ 34,924,970
Patient Fees and Private Insurance	8,217,383	-	7,190,940 (a)	1,026,443
Medicare	1,187,488	-	-	1,187,488
Medicaid	18,406,913	11,867,000 (a)	138,551 (a)	30,135,362
ICF/ID, HCS, and Texas Home Living	4,476,622	-	-	4,476,622
Administrative Claiming	6,627,569	23,273 (a)	6,247,694 (a)	403,148
Investment Earnings	433,101	-	-	433,101
Miscellaneous	32,088,491	21,249 (a)	28,928,721 (a) (b)	3,181,019
Total Local Sources	<u>106,321,643</u>	<u>11,974,183</u>	<u>42,527,673</u>	<u>75,768,153</u>
State General Revenue	101,874,027	-	1,807,355 (a)	100,066,672
Other State Sources:				
Early Childhood Intervention	3,848,559	-	2,750,868 (a)	1,097,691
Department of Assistive and Rehabilitative Services-Rehab	357,726	-	-	357,726
Texas Council on Offenders with Mental Impairments	3,303,917	-	-	3,303,917
Texas Department of Criminal Justice	446,000	-	-	446,000
Total Other State Sources	<u>7,956,202</u>	<u>-</u>	<u>2,750,868</u>	<u>5,205,334</u>
Total State Revenue	<u>109,830,229</u>	<u>-</u>	<u>4,558,223</u>	<u>105,272,006</u>
Federal Sources:				
Mental Health Block Grant	2,986,077	95,729 (a)	-	3,081,806
Mental Health Block Grant - Community Support Services	825,000	-	95,729 (a)	729,271
Social Services Block Grant - Title XX	612,690	-	-	612,690
TANF to Title XX Block Grant	1,509,873	-	-	1,509,873
DSHS Disaster Assistance	1,195,542	-	-	1,195,542
Substance Abuse Prevention & Treatment Block Grant	722,814	-	-	722,814
Enhanced Community Coordination	320,294	-	-	320,294
MH Block Homeless PATH Grant	-	1,104,652 (a)	-	1,104,652
Early Childhood Intervention	-	2,750,868 (a)	-	2,750,868
Delivery Service Reform Incentive Payments	41,101,499	-	21,249 (a)	41,080,250
Administrative Claiming	-	6,247,695 (a)	-	6,247,695
Transitional Housing Program - Safe Havens	371,739	-	-	371,739
Total Federal Sources	<u>49,645,528</u>	<u>10,198,944</u>	<u>116,978</u>	<u>59,727,494</u>
Total Revenue	<u>\$ 265,797,400</u>	<u>\$ 22,173,127</u>	<u>\$ 47,202,874</u>	<u>\$ 240,767,653</u>

(a) Revenue reclassification

(b) Audit adjustment

TABLE 18

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**RECONCILIATION OF TOTAL EXPENDITURES TO FOURTH QUARTER FINANCIAL REPORT
(UNAUDITED)**

For the Year Ended August 31, 2017

Object of Expenditure	Expenditures				Per Audited Financial Statements
	Per Center Report	Additions		Deletions	
Salaries	\$ 111,503,578	\$ 16,395,999	(a)	\$ -	\$ 127,899,577
Employee Benefits	28,683,163	4,441,962	(a)	-	33,125,125
Professional and Consultant Services	10,772,418	271,504		-	11,043,922
Training and Travel	3,039,094	136,801	(a)	-	3,175,895
Debt Service	-	1,185,033		-	1,185,033
Capital Outlay	1,104,365	962,922	(b)	541,553	1,525,734
Non-Capitalized Equipment	1,126,935	650,297	(a)	-	1,777,232
Pharmaceutical Expense (medication and script process)	1,720,408	-	(a)	-	1,720,408
Pharmaceutical Expense (PAP only)	26,144,664	255,104	(a) (b)	26,399,768	-
Other Operating Expense	54,758,343	715,960	(a)	912,380	54,561,923
Allocation of general administration to strategies	15,296,479	-		15,296,479	-
Allocation of authority administration to strategies	6,914,529	-		6,914,529	-
Total Expenditures	\$ 261,063,976	\$ 25,015,582		\$ 50,064,709	\$ 236,014,849

(a) Audit adjustment

(b) Expenditure reclassification

(c) Rounding Adjustment

TABLE 19

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, 2017**

Service Categories (by Funding Source)	Mental Health Adult	Mental Health Children	Intellectual & Developmental Disabilities	Total	Approved Budget	Variance
General Revenue - Mental Health	\$ 55,765,284	\$ 10,376,419	\$ -	\$ 66,141,703	\$ 72,401,199	\$ 6,259,496
General Revenue - Intellectual & Developmental Disabilities	-	-	9,439,702	9,439,702	10,652,790	1,213,088
Community Hospitals	24,485,267	-	-	24,485,267	24,485,267	-
YES Waiver	450,800	-	-	450,800	870,346	419,546
ICF-MR	-	-	1,865,994	1,865,994	1,648,672	(217,322)
Texas Home Living Waiver	-	-	2,159,828	2,159,828	1,859,949	(299,879)
PATH	1,104,652	-	-	1,104,652	1,179,877	75,225
Title XX Social Services Block Grant	612,690	-	-	612,690	632,375	19,685
Mental Health Block Grant	2,246,807	834,999	-	3,081,806	3,081,804	(2)
Mental Health Block Grant - CSC	729,271	-	-	729,271	825,000	95,729
TANF to Title XX Block Grant	237,097	1,272,776	-	1,509,873	1,499,692	(10,181)
Substance Abuse Prevention & Treatment Block Grant	722,814	-	-	722,814	752,000	29,186
Texas DSHS Disaster Assistance	1,195,542	-	-	1,195,542	1,748,701	553,159
Medicaid	3,766,063	2,940,382	11,461,064	18,167,509	17,401,435	(766,074)
Medicaid Administrative Claiming	4,529,611	784,974	933,110	6,247,695	9,378,433	3,130,738
HUD - Supportive Housing - Safe Haven	371,739	-	-	371,739	371,739	-
Delivery System Reform Incentive Payments	35,177,533	3,052,447	2,850,270	41,080,250	34,294,682	(6,785,568)
Enhanced Community Coordination	-	-	320,294	320,294	380,252	59,958
Texas Department of Criminal Justice	446,000	-	-	446,000	446,000	-
DARS - Autism	-	-	357,726	357,726	550,000	192,274
Early Childhood Intervention	-	-	3,848,559	3,848,559	3,935,361	86,802
Texas Council on Offenders with Mental Impairments	2,659,089	644,828	-	3,303,917	3,314,337	10,420
Required Local Match	7,785,866	-	1,041,815	8,827,681	-	(8,827,681)
Additional Local Funds	27,141,002	8,317,364	4,085,171	39,543,537	60,854,121	21,310,584
Total Expended Sources	\$ 169,427,127	\$ 28,224,189	\$ 38,363,533	\$ 236,014,849	\$ 252,564,032	\$ 16,549,183

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, 2017

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:						
Salaries	\$ 127,900,596	\$ 86,674,894	\$ 18,504,127	\$ 22,721,575	\$ 127,900,596	\$ -
Employee Benefits	32,998,008	21,667,034	4,736,808	6,594,167	32,998,008	-
Professional and Consultant Fees	11,043,923	7,227,158	403,966	3,412,799	11,043,923	-
Training and Travel	3,175,893	1,600,459	562,822	1,012,612	3,175,893	-
Debt Service	1,185,034	850,696	141,714	192,624	1,185,034	-
Capital Outlay	4,168,307	3,647,145	276,016	245,146	4,168,307	-
Non-capitalized Equipment	(365,101)	(766,746)	26,116	375,529	(365,101)	-
Pharmaceutical (medication and script process)	1,701,354	1,366,361	75,576	259,417	1,701,354	-
Other Operating	54,206,835	47,160,126	3,497,045	3,549,663	54,206,835	-
Total Expenditures	\$ 236,014,849	\$ 169,427,127	\$ 28,224,189	\$ 38,363,533	\$ 236,014,849	\$ -
Method of Finance:						
General Revenue - Mental Health	\$ 66,141,703	\$ 55,765,284	\$ 10,376,419	\$ -	\$ 66,141,703	\$ -
General Revenue - Intellectual & Developmental Disabilities	10,399,560	-	-	9,439,702	9,439,702	959,858
Community Hospitals	24,485,267	24,485,267	-	-	24,485,267	-
YES Waiver	450,800	450,800	-	-	450,800	-
ICF-MR	1,865,994	-	-	1,865,994	1,865,994	-
Texas Home Living Waiver	2,159,828	-	-	2,159,828	2,159,828	-
MH Block Homeless PATH Grant	1,104,652	1,104,652	-	-	1,104,652	-
Title XX Social Services Block Grant	612,690	612,690	-	-	612,690	-
Mental Health Block Grant	3,081,806	2,246,807	834,999	-	3,081,806	-
Mental Health Block Grant - CSC	729,271	729,271	-	-	729,271	-
TANF to Title XX	1,509,873	237,097	1,272,776	-	1,509,873	-
Substance Abuse Preventionh & Treatment Block Grant	722,814	722,814	-	-	722,814	-
Texas DSHS Disaster Assistance	1,195,542	1,195,542	-	-	1,195,542	-
Medicaid	18,167,509	3,766,063	2,940,382	11,461,064	18,167,509	-
Medicaid Administrative Claiming	6,247,695	4,529,611	784,974	933,110	6,247,695	-
HUD - Supportive Housing - Safe Haven	371,739	371,739	-	-	371,739	-
Delivery System Reform Incentive Payments	41,080,250	35,177,533	3,052,447	2,850,270	41,080,250	-
Enhanced Community Coordination	320,294	-	-	320,294	320,294	-
Texas Department of Criminal Justice	446,000	446,000	-	-	446,000	-
DARS-Autism	357,726	-	-	357,726	357,726	-
Early Childhood Intervention	3,848,559	-	-	3,848,559	3,848,559	-
Texas Council on Offenders with Mental Impairments	3,303,917	2,659,089	644,828	-	3,303,917	-
Required Local Match	8,827,681	7,785,866	-	1,041,815	8,827,681	-
Additional Local Funds	44,296,341	27,141,002	8,317,364	4,085,171	39,543,537	4,752,804
Total Expended Sources	\$ 241,727,511	\$ 169,427,127	\$ 28,224,189	\$ 38,363,533	\$ 236,014,849	\$ 5,712,662

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, 2017

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	\$ 1,417,323	\$ 814,464	\$ 24,937,888	\$ 15,334	\$ 1,626,939
Community Hospitals	-	-	-	-	-
PATH	-	-	-	-	-
Title XX Social Services Block Grant	-	-	371,592	-	-
YES Waiver	-	-	450,800	-	-
Mental Health Block Grant	-	-	2,246,807	-	-
Mental Health Block Grant - CSC	-	-	729,271	-	-
TANF to Title XX Block Grant	-	-	237,097	-	-
Substance Abuse Preventionh & Treatment Block Grant	-	-	722,814	-	-
Texas DSHS Disaster Assistance	-	-	-	-	-
Medicaid	-	-	2,779,151	-	-
Medicaid Administrative Claiming	-	-	2,935,284	-	-
HUD - Supportive Housing - Safe Haven	-	-	-	-	-
Delivery System Reform Incentive	-	-	20,460,937	-	-
Texas Department of Criminal Justice	-	26,760	401,400	8,920	8,920
Texas Council on Offenders with Mental Impairments	-	139,189	2,427,057	43,540	49,303
Required Local Match	-	35,680	410,324	-	-
Additional Local Funds	-	2,121,124	7,362,582	-	-
Total Expended Sources	\$ 1,417,323	\$ 3,137,217	\$ 66,473,004	\$ 67,794	\$ 1,685,162

TABLE 21

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
\$ -	\$ -	\$ 3,715,344	\$ 7,868,999	\$ 1,590,059	\$ 1,535,270	\$ 12,243,664	\$ -	\$ 55,765,284
-	-	-	-	-	-	24,485,267	-	24,485,267
1,104,652	-	-	-	-	-	-	-	1,104,652
-	-	-	241,098	-	-	-	-	612,690
-	-	-	-	-	-	-	-	450,800
-	-	-	-	-	-	-	-	2,246,807
-	-	-	-	-	-	-	-	729,271
-	-	-	-	-	-	-	-	237,097
-	-	-	-	-	-	-	-	722,814
-	-	-	-	-	-	-	1,195,542	1,195,542
-	-	986,912	-	-	-	-	-	3,766,063
-	-	1,594,327	-	-	-	-	-	4,529,611
-	-	-	-	-	-	-	371,739	371,739
-	-	-	14,716,596	-	-	-	-	35,177,533
-	-	-	-	-	-	-	-	446,000
-	-	-	-	-	-	-	-	2,659,089
-	-	200,804	4,391,132	1,490,302	1,257,624	-	-	7,785,866
514,849	4,346,298	700,206	2,743,082	-	-	4,287,788	5,065,073	27,141,002
<u>\$ 1,619,501</u>	<u>\$ 4,346,298</u>	<u>\$ 7,197,593</u>	<u>\$ 29,960,907</u>	<u>\$ 3,080,361</u>	<u>\$ 2,792,894</u>	<u>\$ 41,016,719</u>	<u>\$ 6,632,354</u>	<u>\$ 169,427,127</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, 2017**

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	\$ 51,484	\$ 9,445,067	\$ -	\$ 879,868	\$ -	\$ -	\$ 10,376,419
Mental Health Block Grant	-	834,999	-	-	-	-	834,999
TANF to Title XX Block Grant	-	1,272,776	-	-	-	-	1,272,776
Medicaid	-	2,940,382	-	-	-	-	2,940,382
Medicaid Administrative Claiming	-	784,974	-	-	-	-	784,974
Delivery System Reform Incentive Payments	-	3,052,447	-	-	-	-	3,052,447
Texas Council on Offenders with Mental Impairments	-	644,828	-	-	-	-	644,828
Additional Local Funds	<u>227,866</u>	<u>7,869,577</u>	<u>175,816</u>	<u>-</u>	<u>44,105</u>	<u>-</u>	<u>8,317,364</u>
Total Expended Sources	<u>\$ 279,350</u>	<u>\$ 26,845,050</u>	<u>\$ 175,816</u>	<u>\$ 879,868</u>	<u>\$ 44,105</u>	<u>\$ -</u>	<u>\$ 28,224,189</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, 2017

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	\$ 2,313,121	\$ 3,584,935	\$ -	\$ 1,640,356	\$ 296,022	\$ 790,490	\$ 814,778	\$ -	\$ 9,439,702
ICF-MR	-	-	74,156	-	-	130,524	1,661,314	-	1,865,994
Texas Home Living Waiver	-	-	1,183,418	545,909	252,200	178,301	-	-	2,159,828
Medicaid	46,105	8,443,457	-	-	-	94,998	-	2,876,504	11,461,064
Medicaid Administrative Claiming	-	552,603	-	-	-	-	-	380,507	933,110
Delivery System Reform Incentive Payments	-	-	-	-	-	-	-	2,850,270	2,850,270
DARS-Autism	-	-	-	-	-	-	-	357,726	357,726
Early Childhood Intervention	-	-	-	-	-	-	-	3,848,559	3,848,559
Enhanced Community Coordination	-	320,294	-	-	-	-	-	-	320,294
Required Local Match	17,720	676,146	-	161,503	-	126,454	59,992	-	1,041,815
Additional Local Funds	-	-	-	-	-	-	-	4,085,171	4,085,171
Total Expended Sources	<u>\$ 2,376,946</u>	<u>\$ 13,577,435</u>	<u>\$ 1,257,574</u>	<u>\$ 2,347,768</u>	<u>\$ 548,222</u>	<u>\$ 1,320,767</u>	<u>\$ 2,536,084</u>	<u>\$ 14,398,737</u>	<u>\$ 38,363,533</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

SCHEDULE OF LEASES IN EFFECT (UNAUDITED)

For the Year Ended August 31, 2017

Lessor	Address	Monthly Amount 2017	Beginning Date	Termination Date
City of Houston, Multiservice	4014 Market - Houston, TX	\$161	5/26/2017	5/26/2018
City of Houston, Multiservice	7037 Capital, Suite 103	\$298	5/13/2017	5/13/2018
City of Houston, Multiservice	170 Height Blvd.	\$331	5/26/2017	5/26/2018
City of Houston, Multiservice	6719 West Montgomery - Houston, TX	\$256	12/1/2016	11/30/2017
Harris County Facilities & Property	5518 Jackson St.- Houston, TX	\$50/yr	5/1/2008	4/30/2018
Plazer Properties, Ltd.	3600 S. Gessner, Suite 110 - Houston, TX	\$19,315	11/10/2016	11/9/2019
		\$19,607	11/10/2019	11/9/2021
Spring Branch District Plaza II	9610 Long Point, Suite 351 - Houston, TX	\$214	11/1/2011	10/31/2017
Ashford Houston Investments	1500 Dairy Ashford, Ste 448 - Houston, TX	\$898	9/1/2017	8/31/2018
	7171 Hwy 6 N, Ste 206 - Houston, TX	\$949	9/1/2017	5/31/2018
Gillett Properties, Ltd.	2550 North Loop West - Houston, TX	\$900	9/1/2017	8/31/2018
Moana, LP (Oxley Leasing)				
Pasadena Cottages	2212 Wichita - Pasadena, TX	\$1,404	Month-to-month	Month-to-month
	3550 West Dallas - Houston, TX	\$350	9/1/2017	8/31/2018
The Center Reddy Partnership - Brooktree	2150 West 18th Street - Houston, TX	\$2,628	8/1/2017	7/31/2018
	1502 Taub Loop - Houston, TX	\$1/year	PP for 25 Year	2024
NPC	3540 West Dallas - Houston, TX	Free	Month-to-month	Month-to-month
Harris County Jail				

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)

For the Year Ended August 31, 2017

Property Insurance

Insurer: Texas Council Risk Management Fund

Locations:	Policy Period	Insurance Amount		
		Building	Contents	Total
2001 Cedar Bayou	9/1/2016-8/31/2017	\$ 1,120,389	\$ -	\$ 1,120,389
6125 Hillcroft	9/1/2016-8/31/2017	1,320,078	74,521	1,394,599
7200 N. Loop East	9/1/2016-8/31/2017	2,151,683	61,799	2,213,482
3737 Dacoma	9/1/2016-8/31/2017	4,750,230	561,785	5,312,015
11511 Bob White	9/1/2016-8/31/2017	226,095	144,369	370,464
526 Applewhite	9/1/2016-8/31/2017	201,243	21,750	222,993
2627 Caroline	9/1/2016-8/31/2017	3,915,209	398,622	4,313,831
1313 Dennis	9/1/2016-8/31/2017	146,574	6,181	152,755
3550/3600/3630 West Dallas	9/1/2016-8/31/2017	5,181,702	310,557	5,492,259
1215 Dennis	9/1/2016-8/31/2017	1,057,950	11,421	1,069,371
1502 Ben Taub Loop	9/1/2016-8/31/2017	5,500	311,691	317,191
7011 Southwest Fwy.	9/1/2016-8/31/2017	12,563,755	49,932	12,613,687
7033 Southwest Fwy.	9/1/2016-8/31/2017	1,012,142	6,084	1,018,226
612A-E Branard	9/1/2016-8/31/2017	839,112	6,397	845,509
6607 Stonechase	9/1/2016-8/31/2017	178,707	1,000	179,707
6032 Airline Dr.	9/1/2016-8/31/2017	1,323,378	142,881	1,466,259
5518 Jackson	9/1/2016-8/31/2017	377,378	21,420	398,798
2800 S. McGregor	9/1/2016-8/31/2017	-	50,095	50,095
6603 Barbarella	9/1/2016-8/31/2017	241,792	24,133	265,925
5901 Long Dr.	9/1/2016-8/31/2017	4,730,722	671,031	5,401,753
5705 Warm Springs	9/1/2016-8/31/2017	260,482	16,175	276,657
6805 Oak Village Dr.	9/1/2016-8/31/2017	621,702	61,799	683,501
1200 Baker Street	9/1/2016-8/31/2017	-	71,541	71,541
9610 Long Point, Suite 351	9/1/2016-8/31/2017	-	2,868	2,868
1500 S. Dairy Ashford, Suite 448	9/1/2016-8/31/2017	-	5,355	5,355
817 Southmore Ave, Suite 150	9/1/2016-8/31/2017	-	10,200	10,200
9401 Southwest Fwy.	9/1/2016-8/31/2017	48,872,997	5,116,550	53,989,547
2505/2505-A /2507 Southmore Blvd	9/1/2016-8/31/2017	1,702,329	120,000	1,822,329
3600 S. Gessner, Suite 110	9/1/2016-8/31/2017	-	37,965	37,965
6719 W. Montgomery Rd., Rm 208/.	9/1/2016-8/31/2017	-	1,000	1,000
2100 Shadowdale Dr	9/1/2016-8/31/2017	-	15,000	15,000
4949 Burke Rd	9/1/2016-8/31/2017	-	15,000	15,000

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)

For the Year Ended August 31, 2017

Property

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/16 - 08/31/17		
	Blanket Limit		
	Building Limit	\$	91,673,292
	BPP Limit	\$	8,324,989
	EDP Limit	\$	12,364,764
	Boiler/Machinery	\$	49,439
	Business Income	\$	1,000,000
	Sublimit	\$	1,000,000
	Fine Arts	\$	15,000
	Rented Mobile Equipment	\$	150,000
	Valuation		Replacement Cost Value
	Cause of Loss		Special
	Deductible except Named Storm Wind & Flood	\$	1,000
	Vacant Buildings		As scheduled
	Named Storm Wind Deductibles (TIV = Bldg + BPP + EDP)		
	Tier 1 Per Occurrence/Location T/V	\$	4,424,000
	Harris County Per Occurrence/Location T/V		3% TIV or \$100,000 min.
	Tier 2 Per Occurrence/Location T/V	\$	1,000
	Flood - Aggregate Limit	\$	10,000,000
	High Risk Zone		No Coverage
	Other Locations other than 100 Year & other between 100 & 500 Year Flood Zones	\$	10,000,000
	Deductible	\$	1,000

General Liability

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/16 - 08/31/17		
	Per Occurrence Limit of Liability	\$	1,000,000
	Deductible	\$	1,000
	Additional Per Occurrence and Annual Aggregate Limit of Liability in Excess of \$1,000,000	\$	4,000,000

Public Officials Errors and Omissions

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/16 - 08/31/17		
	Claims Made		
	Limit per Claim	\$	1,000,000
	Annual Aggregate	\$	3,000,000
	Deductible	\$	10,000
	Retro Date 08/31/96		
	Additional PerClaim and Annual Aggregate Limit of Liability in Excess of \$1,000,000	\$	4,000,000

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (Continued)
FOR THE YEAR ENDED AUGUST 31, 2017**

Employment Practices Liability

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/16 - 08/31/17		
	Sublimit per Claim	\$	50,000
	Annual Aggregate	\$	100,000
	Deductible	\$	10,000
	Retro Date 08/28/89		
	Sublimit applicable to back wages, punitive damage, non-compliance		

Professional Liability

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/16 - 08/31/17		
	Claims Made		
	Limit per Claim	\$	1,000,000
	Annual Aggregate	\$	3,000,000
	Deductible	\$	10,000
	Retro Date 08/28/89		
	Additional Per Occurrence and Annual Aggregate Limit of Liability in Excess of \$1,000,000	\$	2,000,000

Sexual Misconduct

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/16 - 08/31/17		
	Sublimit per Claim	\$	100,000
	Annual Aggregate	\$	300,000
	Retro Date 08/28/89		

Auto Liability

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/16 - 08/31/17		
	Per Occurrence Limit of Liability	\$	1,000,000
	Deductible	\$	1,000
	Additional Per Occurrence and Annual Limit of Liability in Excess of \$1,000,000	\$	4,000,000

Auto Physical Damage

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/16 - 08/31/17		
	Scheduled and Hired Autos		
	Comprehensive Deductible	\$	500
	Collision Deductible	\$	1,000

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (Continued)
FOR THE YEAR ENDED AUGUST 31, 2017**

Excess Liability

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/16 - 08/31/17		
	General Liability		
	Additional Limit of Liability		
	Retro: 08/31/03		1M xs 1M
	Retro: 11/24/08		1M xs 2M
	Retro: 11/24/08		1M xs 3M
	Retro: 11/24/08		1M xs 4M
	Errors and Omissions Liability Coverage		
	Additional Limit of Liability		
	Retro: 08/31/96		1M xs 1M
	Retro: 08/31/96		1M xs 2M
	Retro: 08/31/96		1M xs 3M
	Retro: 08/31/96		1M xs 4M
	Auto Liability		
	Additional Limit of Liability		
	Retro: 08/31/03		1M xs 1M
	Retro: 11/24/08		1M xs 2M
	Retro: 11/24/08		1M xs 3M
	Retro: 11/24/08		1M xs 4M
	Professional Liability		
	Additional Limit of Liability		
	Retro: 08/28/89		1M xs 1M
	Retro: 10/05/04		1M xs 2M
	Not included under Excess Liability		
	Sexual Misconduct		
	Employment Practices		

Workers Compensation

Insurer:	Texas Council Risk Management Fund		
Policy Period:	09/01/16 - 08/31/17		
	Workers Compensation		Statutory
	Named States		Texas
	Per Accident Deductible	\$	100,000
	Aggregate Limit	\$	300,000
	Volunteers		Yes
	Elected/Appointed Officials		Yes

Flood Insurance

Insurer:	American Bankers		
Policy Period:	11/01/15 - 10/31/16		
	1502 Taub Loop, Houston, TX		
	Contents	\$	Zone AE 209,800
	Cause of Loss		Flood
	Valuation		ACV
	Deductible	\$	500

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (Continued)
FOR THE YEAR ENDED AUGUST 31, 2017**

Notary E&O

Insurer:	Old Republic		
Policy Period:	11/18/15-11/17/16		
	Limit of Liability	\$	20,000
	33 Notaries		

Fiduciary Liability

Insurer:	The Hartford		
Policy Period:	09/01/15 - 08/31/16		
	Claims Made - Prior Date 08/31/00		
	Limit of Liability - All Claims in the Aggregate	\$	3,000,000
	Retention	\$	25,000
	Defense within Limits of Liability		

Crime

			Per Locations Scheduled
Insurer:	Great American Insurance Group		
Policy Period:	09/01/16 - 08/31/17		
	Employee Dishonesty	\$	600,000
	Deductible	\$	5,000
	Forgery or Alteration	\$	200,000
	Deductible	\$	2,500
	Inside the Premises	\$	25,000
	Deductible	\$	2,500
	Outside the Premises	\$	25,000
	Deductible	\$	2,500
	Computer Fraud	\$	25,000
	Deductible	\$	2,500
	Money Orders & Counterfeit Paper Currency	\$	25,000
	Deductible	\$	2,500
	Fund Transfer Fraud	\$	100,000
	Deductible	\$	5,000

Privacy & Network Liability

Insurer:	Illinois Union Insurance Company		
Policy Period:	04/24/16-04/23/17		
	Privacy Liability	\$	3,000,000
	Data Breach Fund	\$	250,000
	Network Security Liability	\$	3,000,000
	Regulatory Proceeding Sub-Limit of Liability	\$	1,000,000
	Maximum Policy Aggregate Limit of Liability	\$	3,000,000
	Retention	\$	25,000
	Retro Date		4/24/2012

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**SCHEDULE OF BOND COVERAGE (UNAUDITED)
For the Year Ended August 31, 2017**

Surety Company	Scope of Coverage	Amount
Great American Insurance Company 9/1/2016 - 8/31/2017	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
	Computer Fraud	\$ 25,000
	Deductible	\$ 2,500
	Money Order and Counterfeit 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	
Western Surety 9/1/2016 - 8/31/2017	Errors and Omissions - Notary	
	Limit of Liability (95 Notaries)	\$ 20,000

TABLE 27

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, 2017

NAME	CITY	TYPE OF SERVICE	AMOUNT
Access MHMR	Jacksonville, TX	Psychiatric Evaluations	\$ 1,050
Allday Dental Associates	Houston, TX	Dental Services	1,000
ANC-D Psychological Services	Houston, TX	YES Waiver Services	22,188
Bay Area Recovery Center	Dickinson, TX	Substance Abuse Treatment	108,545
Baylor College of Medicine	Houston, TX	Residency Program Training	25,831
Baylor College of Medicine/Family Community Medicine	Houston, TX	Medical Consultations/EKG Services	123,892
Button's Inventory Service, Inc.	Houston, TX	Pharmacy Inventory Service	33,013
Center for Recovery and Wellness Resources	Houston, TX	Housing/Transition Services	18,934
Cheyenne Center	Houston, TX	Housing/Transition Services	107,069
Citrus Medical	Richmond, TX	YES Waiver Services	14,501
Coalition for the Homeless	Houston, TX	Advocacy Services	17,334
Communication Axxess Ability Group	Houston, TX	Interpreting Services	30,088
CTRL Delivery & Transportation, Inc.	Houston, TX	Transportation Services	23,987
The Council on Alcohol and Drugs	Houston, TX	Counseling, Case Management, and Assessment Services	2,472,988
Momentum Behavioral Health	Houston, TX	YES Waiver Services	6,521
1st Traditions Homecare, LLC	Houston, TX	YES Waiver Services	4,039
ARC of Greater Houston	Houston, TX	Vocational and Employment Training	201,172
Bingham, Tramaine J.	Houston, TX	YES Waiver Services	11,046
Data Shredding Services of Texas	Houston, TX	Document Destruction	20,823
DDD Marketing Communications	Houston, TX	Transition Communications Consulting	2,590
Developing by Design, LLC	Afton, OK	Day Habilitation Services	11,025
Directions of Recovery, Inc.	Houston, TX	Co-Occurring Disorders Services	227,281
Discovery Benefits, Inc.	Fargo, ND	Employee Benefits Administration	34,660
Easter Seals of Greater Houston, Inc.	Bellaire, TX	Respite Services	2,406,355
El Centro de Corazon	Houston, TX	Medical Services	110,828
Elite Personnel Consultants	Houston, TX	Temporary Staffing	132,885
Forward Edge, Inc.	Pasadena, TX	Pre-employment Testing	32,600
Gearing, Robin Edward	Houston, TX	Service Utilization/Effectiveness Consulting	28,563
Goodman Technology Associates, Inc.	Humble, TX	Technology Support Services	2,400
Harris County Protective Services	Houston, TX	Intervention Services	384,100
Harris County Psychiatric Center	Houston, TX	Competency Evaluation and Restoration	4,474,535
Healthcare for the Homeless	Houston, TX	Crisis/Peer Support Services	50,000
Healthcare for the Homeless	Houston, TX	Behavioral Health Services - Jail Diversion	1,294,087
Houston Discovery Community	Houston, TX	Co-Occurring Disorders Services	92,455
Jackson and Coker Locum Tenens	Atlanta, GA	Temporary Staffing - Psychiatrists	165,058
KES Care Learning and Developmental Center	Houston, TX	Day Habilitation Services	4,462
Knutson, Elena	Katy, TX	Graduate Research Assistant	7,489
Language Line Services	Monterrey, CA	Interpreting Services	154,508

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, 2017

NAME	CITY	TYPE OF SERVICE	AMOUNT
Laval, Ramon, Ph.D.	Houston, TX	Psychologist	135,800
Livingmind Project, Inc.	Houston, TX	Day Habilitation Services	4,114
Locum Tenens Holdings, LLC	Atlanta, GA	Temporary Staffing - Psychiatrists	381,274
Mann, Thomas H., Ph.D.	Richmond, TX	Psychologist	8,288
Masterword Services, Inc.	Houston, TX	Interpreting Services	184,113
Mental Health America of Greater Houston	Houston, TX	Oversight of Peer-to-Peer Counseling	99,286
Mobilex USA	Baltimore, MD	X-Ray Services	7,760
Morales, Laura	Houston, TX	Speech/Language Pathologist	15,680
Morgan & Associates Dental	Houston, TX	Dental Services	9,915
Muhammad, Nettie	Houston, TX	YES Waiver Services	4,222
Naftis, Mathew, DDS	Houston, TX	Dental Services	1,000
National Appraisal Partners	Houston, TX	Real Estate Appraisal Services	2,700
National Council for Behavioral Health	Warrensville Heights, OH	Mental Health First Aid Training	31,500
Neal, Shallaya	Houston, TX	YES Waiver Services	4,761
Nightingale Adult Day Center	Houston, TX	Interpreting Services	48,863
Nixon Adult Day Center	Houston, TX	Respite and Day Habilitation Services	159,400
Pace Opportunity Center, Inc.	Houston, TX	Day Habilitation Services	9,057
Parker Place Property Owners Association	Houston, TX	Respite Services	82,455
Passages, Inc.	Houston, TX	Co-Occurring Disorders Services	120,158
Pathway to Serenity	Houston, TX	Housing/Transition Services	208,237
Pattillo Brown & Hill, LLP	Waco, TX	Audit Services	113,515
Pham, Jennifer, DDS	Houston, TX	Dental Services	1,000
Phantastic Dental Place	Pasadena, TX	Dental Services	1,475
Physician Resources, Inc.	Houston, TX	Temporary Staffing - Psychiatrists	86,335
Pre-Check, Inc.	Houston, TX	Pre-employment Testing	34,972
Prosumers International	San Antonio, TX	Peer Support Training Services	16,909
Reach Unlimited, Inc.	Houston, TX	Respite and Day Habilitation Services	17,176
Rekruters, LLC	Houston, TX	Recruitment Services	46,893
Santa Maria Hostel, Inc.	Houston, TX	Substance Abuse Treatment	23,720
Scott, Saralyn	Houston, TX	Speech Therapy Services	6,565
Soliant Health, Inc.	Houston, TX	Temporary Staffing - Pharmacy	29,917
Stamper, James R., DDS	Houston, TX	Dental Services	1,000
Stericycle, Inc.	Lake Forest, IL	Hazardous Waste Disposal	3,354
Sue Davis Communications	Houston, TX	Public Relations Consulting	2,138
Texas Initiative Program	Dallas, TX	YES Waiver Services	84,621
Texas Medical Center Hospital Laundry Co-op	Houston, TX	Linen Service	49,094
Texas West Oaks Hospital	Houston, TX	Inpatient Psychiatric Bed Services	1,140,450
The Center	Houston, TX	Residential and Day Habilitation Services	31,544
The Healthy Lunch Box	Houston, TX	Consumer Food Service	41,015
The Westfield Corporation	Houston, TX	Respite Services	1,056
Trejo, C. C., DMD	Houston, TX	Dental Services	1,000

TABLE 27

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, 2017

NAME	CITY	TYPE OF SERVICE	AMOUNT
Turning Point Center	Houston, TX	Housing/Transition Services	26,391
U. S. Healthworks	Houston, TX	Employee Drug Screening	4,615
Ultra Staff	Houston, TX	Temporary Staffing - Nursing	39,540
Unity Circle Counseling	Houston, TX	YES Waiver Services	9,067
University of Houston-Clear Lake	Houston, TX	Behavioral Therapy Services	72,304
University of Texas Health Science Center	Houston, TX	Psychiatric Residents	85,781
University of Texas Health Science Center	Houston, TX	Contract Psychiatrists	113,821
Volunteers of America TX, Inc.	Houston, TX	Day Habilitation Services	7,642
Westchase Dental	Houston, TX	Dental Services	7,486
Zartler, Angela	Houston, TX	Pharmacy Support Services	22,838

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD**SCHEDULE OF LEGAL SERVICES (UNAUDITED)****For the Year Ended August 31, 2017**

<u>Name</u>	<u>City</u>	<u>Type of Service</u>	<u>Amount</u>
Fulbright & Jaworski, L.L.P	Houston, TX	Employee benefits and general representation	\$ 6,239
Richard Hightower, P.C.	Houston, TX	Board training	2,400
Rogers, Morris & Grover, L.L.P.	Houston, TX	Employment and general representation	37,832
The Feldman Firm, P.C.	Houston, TX	Employment and general representation	60,819

SINGLE AUDIT

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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, 2017, 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 16, 2018. 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 16, 2018



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, 2017. 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, 2017.

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 16, 2018

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended August 31, 2017

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:				
		TX0191L6E001306 and TX0191L6E001407		
Transitional Housing Program - Safe Havens	14.235		\$ 371,739	\$ -
Total U.S. Department of Housing and Urban Development			<u>371,739</u>	<u>-</u>
<u>U.S. Department of Education:</u>				
Passed through the Texas Department of Assistive and Rehabilitative Services (DARS):				
Special Education Grants for Infants and Families with Disabilities (IDEA, Part C)	84.181	5382001541	1,888,140	-
Special Education Grants to States (IDEA, Part B)	84.027	5382001541	<u>411,885</u>	<u>-</u>
Total Passed-through the Texas Department of Assistive and Rehabilitative Services (DARS)			<u>2,300,025</u>	<u>-</u>
Total U.S. Department of Education			<u>2,300,025</u>	<u>-</u>
<u>U.S. Dept. of Health and Human Services:</u>				
Passed-through the Texas Health and Human Services Commission:				
Mental Health Block Grant	93.958	529-17-0038-00024	<u>3,081,806</u>	<u>-</u>
Mental Health Block Grant (CSC)	93.958	2017-049559	<u>729,271</u>	<u>-</u>
Total CFDA 93.958			<u>3,811,077</u>	<u>-</u>
Social Services Block Grant (Title XX)	93.667	529-17-0038-00024	612,690	-
TANF Transfer to Title XX Block Grant	93.667	529-17-0038-00024	<u>1,509,873</u>	<u>-</u>
Total CFDA 93.667			<u>2,122,563</u>	<u>-</u>
MH Block Homeless PATH Grant	93.150	2016-048164	1,104,652	-
Substance Abuse Prevention & Treatment Block Grant	93.959	2016-048251	722,814	722,814
Enhanced Community Coordination	93.791	539-12-043-00001	320,294	-
Delivery System Reform Incentive Payments (DSRIP)	93.778	N/A	41,080,250	-
Medicaid Administrative Claiming Program	93.778	529-09-0032-00096	<u>5,867,188</u>	<u>-</u>
Total Passed-through the Texas Health and Human Services Commission			<u>55,028,838</u>	<u>722,814</u>
<u>Passed through the Texas Department of Assistive and Rehabilitative Services (DARS):</u>				
Temporary Assistance for Needy Families (TANF)	93.558	5382001541	450,843	-
Medicaid Administrative Claiming Program	93.778	5382001541	<u>380,507</u>	<u>-</u>
Total Passed through the Texas Department of Assistive and Rehabilitative Services (DARS)			<u>831,350</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>55,860,188</u>	<u>722,814</u>
<u>U.S. Department of Homeland Security:</u>				
Passed through the Texas Department of State Health Services:				
Disaster Assistance - Immediate Services	97.032	2016-049725	365,702	-
Disaster Assistance - Regular Services	97.032	2017-049947	<u>829,840</u>	<u>-</u>
Total Passed through the Texas Department of State Health Services			<u>1,195,542</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>1,195,542</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>59,727,494</u>	\$ <u>722,814</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
Year Ended August 31, 2017**

State Grantor/Program Title	Contract #	State Expenditures
State Awards:		
<u>Texas Health and Human Services Commission:</u>		
Texas Department of State Health Services:		
General Revenue - Mental Health	529-17-0038-00024	\$ 66,141,703
General Revenue - Psychiatric Hospitals	529-17-0038-00024	<u>24,485,267</u>
Total Texas Department of State Health Services		<u>90,626,970</u>
Texas Department of Aging and Disability Services:		
General Revenue - Permanency Planning	539-12-0143-00001	133,167
General Revenue - Intellectual or Developmental Disabilities	539-12-0143-00001	<u>9,306,535</u>
Total Texas Department of Aging and Disability Services		<u>9,439,702</u>
Direct Program		
Early Childhood Intervention	5382001541	1,097,691
Services to Children with Autism	5382001408	<u>357,726</u>
Total Direct Program		<u>1,455,417</u>
Total Texas Health and Human Services Commission		<u>101,522,089</u>
<u>Texas Department of Criminal Justice:</u>		
Parole - MH Offenders Program	696-TC-14-15-LO12	246,000
Substance Abuse - MH Offenders Program	696-TC-14-15-LO12	<u>200,000</u>
Total Texas Department of Criminal Justice		<u>446,000</u>
Total Expenditures of State Awards		<u>101,968,089</u>
Total Expenditures of Federal and State Awards		\$ <u>161,695,583</u>

The accompanying notes are an integral part of this schedule.

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

AUGUST 31, 2017

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, 2017. 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 Federal and State Awards to the state revenues reported in the basic financial statements for the year ended August 31, 2017:

State revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	\$ 105,272,006
Less: Texas Correctional Office on Offenders with Medical or Mental Impairments (TCOOMI) program	<u>3,303,917</u>
State expenditures per the Schedule of Expenditures of State Awards	<u>\$ 101,968,089</u>

THE HARRIS CENTER FOR MENTAL HEALTH AND IDD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

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 Uniform Guidance or the <i>State of Texas Single Audit Circular</i> ?	No

Identification of major programs:

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

State:

Texas Department of State Health Services:	
General Revenue:	
Mental Health	
Psychiatric Hospitals	
Texas Department of Aging and Disability Services:	
General Revenue:	
Intellectual Development Disabilities	
Permanency Planning	
Dollar threshold used to distinguish between type A and type B federal programs	\$1,791,825
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, 2017

There were no findings in the prior year.