

CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES

**FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
ADDITIONAL INFORMATION
AND INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED
JUNE 30, 2014 AND 2013**

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Independent Auditors' Report

To the Board of Trustees
City of St. Louis Mental Health Board of Trustees
St. Louis, Missouri

We have audited the accompanying financial statements of the City of St. Louis Mental Health Board of Trustees (Mental Health Board), which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Mental Health Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mental Health Board, as of June 30, 2014 and 2013, and the respective changes in net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014, on our consideration of the Mental Health Board'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 *Government Auditing Standards* in considering the Mental Health Board's internal control over financial reporting and compliance.



St. Louis, Missouri
November 20, 2014

City of St. Louis Mental Health Board of Trustees
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Years Ended June 30, 2014 and 2013

This section of the City of St. Louis Mental Health Board of Trustees ("MHB") annual financial report presents our analysis of MHB's financial performance during the fiscal years that ended on June 30, 2014 and 2013. Please read it in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- MHB's net position as of June 30, 2014, decreased by \$0.48 million or 2.0% compared to June 30, 2013 due to planned reductions of reserves.
- MHB's 2014 tax revenues were less than budgeted by \$0.11 million or 0.9% primarily due to lower than expected property tax revenues collections.
- MHB's 2014 expenses were less than budgeted by \$0.67 million or 5.0% primarily due to lower than anticipated funding of certain agency contracts.

THE FINANCIAL REPORT

MHB's financial statements consist of the following parts:

- Management's Discussion and Analysis (this part)
- The basic financial statements, which include the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows, along with the notes to the basic financial statements.
- Additional Information

MHB follows GASB guidance which establishes accounting and financial reporting standards for general purpose external financial reporting.

THE STATEMENTS OF NET POSITION AND THE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

These statements help to illustrate the status of MHB resulting from the years' activities. The statements include all assets and liabilities using the accrual basis of accounting. In this method, all of the years' revenues and expenses are taken into account regardless of when cash is paid or received.

The majority of MHB's activities are financed from property taxes collected by the City of St. Louis Office of the Assessor.

City of St. Louis Mental Health Board of Trustees
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 For The Years Ended June 30, 2014 and 2013

STATEMENTS OF NET POSITION

The following tables reflect the condensed statements of net position as of June 30, 2014 and 2013:

Condensed Statements of Net Position
 (In thousands of dollars)

	FY 2014	FY 2013	Dollar Change	Total Percent Change
Current assets	\$ 11,188	\$ 15,790	\$ (4,602)	
Noncurrent assets	12,367	8,607	3,760	
Total Assets	<u>\$ 23,555</u>	<u>\$ 24,397</u>	<u>\$ (842)</u>	<u>(3.5)%</u>
Current liabilities	\$ 159	\$ 519	\$ (360)	(69.4)%
Net Position				
Investment in capital assets	2	3	(1)	
Unrestricted	<u>23,394</u>	<u>23,875</u>	<u>(481)</u>	
Total Net Position	<u>23,396</u>	<u>23,878</u>	<u>(482)</u>	<u>(2.0)%</u>
Total Liabilities and Net Position	<u>\$ 23,555</u>	<u>\$ 24,397</u>	<u>\$ (842)</u>	<u>3.5 %</u>

Unrestricted net position (the part of net position that can be used to finance project services and administrative operations) decreased by \$0.5 million to \$23.4 million.

The components of unrestricted net position at June 30, 2014 and 2013, are as follows:

	(In thousands of dollars)	
	FY 2014	FY 2013
Appropriated for grants, partnerships, and initiatives	\$ 11,375	\$ 10,827
Investment in mental health supported housing loans	888	722
Designated for unanticipated projects	100	100
Designated for administration	1,268	1,273
Designated for future projects	-	1,836
Designated for contingencies	841	799
Designated for long-term reserve	3,725	3,538
Unreserved, undesignated	<u>5,197</u>	<u>4,780</u>
Total Unrestricted Net Position	<u>\$ 23,394</u>	<u>\$ 23,875</u>

A review of the 2014 statement of net position reveals the following:

Total assets of MHB are \$23.6 million. This includes cash and cash equivalents of \$6.7 million and investments of \$15.5 million.

City of St. Louis Mental Health Board of Trustees
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 For The Years Ended June 30, 2014 and 2013

Total liabilities are \$0.2 million and are all current. MHB does not have any long-term debt obligations.

Total net position of MHB is \$23.4 million. This consists mostly of unrestricted net position.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OPERATING REVENUES AND EXPENSES

MHB classifies all operating and non-operating revenues and expenses in the same manner that individual transactions are classified for cash flow purposes under GASB guidance.

The following table reflects the revenues and expenses of MHB's activities for the years ended June 30, 2014 and 2013:

**Condensed Statements of Revenues,
 Expenses, and Changes in Net Position**
 (In thousands of dollars)

	FY 2014	FY 2013	Dollar Change	Total Percent Change
Operating Revenues	\$ 12,271	\$ 12,728	\$ (457)	(3.6)%
Operating Expenses	<u>12,753</u>	<u>12,314</u>	<u>439</u>	<u>3.6 %</u>
Excess (Deficit) of Operating Revenues Over Expenses	(482)	414	(896)	(216.4)%
Beginning Net Position	<u>23,878</u>	<u>23,464</u>	<u>414</u>	<u>1.8 %</u>
Ending Net Position	<u><u>\$ 23,396</u></u>	<u><u>\$ 23,878</u></u>	<u><u>\$ (482)</u></u>	<u><u>(2.0)%</u></u>

A review of the 2014 statement of revenues, expenses, and changes in net position indicates the most significant component of revenues are tax revenues of \$11.4 million. Property tax revenues represent \$10.5 million of this total. Another major source of revenues is operating grants which consist of federal grants totaling \$0.7 million.

Major expenses relate to projects and grants that provide direct funding to local agencies performing a variety of services in the community.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

MHB and management considered many factors when setting the Fiscal Year 2015 budget. Factors include the approved property tax rates and the economy. Property tax rates for the upcoming budget year are 9 cents and 19 cents per \$100 assessed valuation for the Mental Health Fund and the Community Children's Services Fund, respectively.

BUDGET INFORMATION

Total revenues are expected to increase by \$0.5 million in 2015 primarily as a result of an anticipated increase in tax revenues and additional federal funding.

City of St. Louis Mental Health Board of Trustees
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Years Ended June 30, 2014 and 2013

Total expenses are expected to increase by \$1.1 million primarily due to expenditures related to federal contracts.

FINANCIAL CONTACT

The financial report is designed to provide users with a general overview of MHB's finances and demonstrate MHB's accountability. Any questions regarding the report or requests for additional information should be directed to:

Executive Director
City of St. Louis Mental Health Board of Trustees
333 S 18th
St. Louis, Missouri 63103

FINANCIAL STATEMENTS

City of St. Louis Mental Health Board of Trustees
STATEMENTS OF NET POSITION

ASSETS

	June 30,	
	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,744,223	\$ 9,789,641
Investments	3,964,408	5,546,594
Receivables		
Grants receivable	245,025	142,184
Taxes receivable	92,736	93,801
Advances to agencies	-	92,750
Mental health supported housing loans receivable	109,817	84,818
Prepaid expenses and other current assets	32,299	40,626
Total Current Assets	11,188,508	15,790,414
NONCURRENT ASSETS		
Investments	11,537,686	7,943,289
Mental health supported housing loans receivable	777,727	637,544
Other assets	49,405	23,264
Capital assets, net	1,895	3,294
Total Noncurrent Assets	12,366,713	8,607,391
Total Assets	\$ 23,555,221	\$ 24,397,805

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 21,183	\$ 35,443
Accrued liabilities	44,286	73,429
Grants payable	93,637	410,476
Total Current Liabilities	159,106	519,348
NET POSITION		
Investment in capital assets	1,895	3,294
Unrestricted	23,394,220	23,875,163
Total Net Position	23,396,115	23,878,457
Total Liabilities and Net Position	\$ 23,555,221	\$ 24,397,805

City of St. Louis Mental Health Board of Trustees
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2014	2013
Operating Revenues:		
Property taxes	\$ 10,527,356	\$ 10,989,979
Manufacturing, institutional, and other taxes	830,351	802,240
Operating grants	739,700	896,216
Investment income	173,266	39,463
Total Operating Revenues	12,270,673	12,727,898
Operating Expenses:		
Grants, partnerships, and initiatives	11,462,028	11,007,355
Forgiveness of mental health supported housing loans	84,818	84,820
Direct project expenses	701,830	640,082
Administration	504,339	582,084
Total Operating Expenses	12,753,015	12,314,341
Excess (Deficit) of Operating Revenues Over Expenses	(482,342)	413,557
Net Position, Beginning of year	23,878,457	23,464,900
Net Position, End of year	\$ 23,396,115	\$ 23,878,457

City of St. Louis Mental Health Board of Trustees
STATEMENTS OF CASH FLOWS

	For The Years Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from property and other taxes	\$ 11,358,772	\$ 11,793,251
Interest and dividends received	197,935	153,414
Proceeds from other support	636,859	1,090,801
Cash paid for projects	(12,012,631)	(11,339,742)
Cash paid for salaries and employee benefits	(842,931)	(749,768)
Cash paid for other operating activities	(339,877)	(366,701)
Net Cash Provided by (Used In) Operating Activities	(1,001,873)	581,255
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(9,688,614)	(15,362,573)
Sales of investments	7,645,819	17,307,106
Purchases of capital assets	(750)	(805)
Net Cash Provided by (Used In) Investing Activities	(2,043,545)	1,943,728
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,045,418)	2,524,983
CASH AND CASH EQUIVALENTS, Beginning of year	9,789,641	7,264,658
CASH AND CASH EQUIVALENTS, End of year	\$ 6,744,223	\$ 9,789,641
RECONCILIATION OF EXCESS (DEFICIT) OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Excess (deficit) of revenues over expenses	\$ (482,342)	\$ 413,557
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by (used in) operating activities:		
Depreciation	2,149	1,878
Forgiveness of mental health supported housing loans	84,818	84,820
Net realized and unrealized loss on investments	30,584	161,443
Change in assets and liabilities:		
(Increase) decrease in grants receivable	(102,841)	194,585
Decrease in taxes receivable	1,065	1,033
(Increase) decrease in advances to agencies	92,750	(36,615)
Increase in mental health supported housing loans receivable	(250,000)	(147,001)
Increase in prepaid expenses and other assets	(17,814)	(54,515)
Increase (decrease) in accounts payable and accrued liabilities	(43,403)	33,788
Decrease in grants payable	(316,839)	(71,718)
Net Cash Provided by (Used In) Operating Activities	\$ (1,001,873)	\$ 581,255

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The City of St. Louis Mental Health Board of Trustees ("MHB") is a public authority which derives its authority from RSMo. 205.975-205.990, effective January 2, 1991. MHB uses Mental Health Fund ("MHF") receipts to provide services directly and/or by contract with any public facilities or not-for-profit corporations which in turn provide programs and services to promote the mental health of residents of the City of St. Louis, Missouri by enhancing the availability and accessibility of essential community mental health and substance abuse programs. The passage of Proposition K by City of St. Louis voters in November 2004 created the Community Children's Services Fund ("CCSF"). CCSF's focus is to fund a wide range of programs and services which give children in the City of St. Louis a safe environment and opportunities to succeed.

CCSF has been established as a legally separate entity. However, because MHB is effectively the same as the governing body of the CCSF, MHB's ability to significantly influence operations and MHB's accountability for fiscal matters, the CCSF is reported as if it were part of MHB. Separate financial statements for the CCSF are not available.

The City of St. Louis, Missouri (the "City"), has accountability for MHB because it appoints MHB's governing board. As such, MHB is considered a related organization of the City for financial reporting purposes.

MHB is fiscally independent of the City; therefore, the City is not financially accountable for MHB.

Basis of Presentation and Method of Accounting

The financial statements of MHB have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental and financial reporting principles.

MHB's financial statements are presented in accordance with the provisions of GASB guidance that establishes the manner in which MHB records transactions and presents financial information. GASB guidance also requires that the financial statements be accompanied by a narrative introduction and analytical overview of the entity's financial activities in the form of "management's discussion and analysis."

Estimates

The preparation of financial statements in conformity with GAAP 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 expenses during the reporting period. Accordingly, actual results could differ from those estimates.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

Appropriations

MHB appropriates funds for specific projects and programs to be expended for the following year's program service funding period July 1, 2014 to June 30, 2015. These funds are to be distributed to various agencies which then provide programs and services to eligible persons of the City of St. Louis.

Compensated Absences

Accumulated unpaid vacation expense and a portion of the Executive Director's sick leave are reported in the period earned and are accrued in the accompanying financial statements until used. All other accrued sick leave is lost upon termination and accordingly is not recorded in the financial statements.

Property Tax Collections and Expenses

MHB's principal source of revenue is property taxes levied and collected by the City on MHB's behalf. Taxes collected in one month are often distributed to MHB in the subsequent month. Consequently, property taxes are recognized as revenue only to the extent they have been collected by the City's Collector of Revenue. Undistributed taxes held by the the City's Collector of Revenue are included in taxes receivable. Undistributed taxes totaled \$92,736 and \$93,801 at June 30, 2014 and 2013, respectively.

MHB has adopted a fiscal year that begins July 1 each year. Property taxes are collected several months prior to the start of the fiscal year. This creates a balance in cash and cash equivalents, and investments at the end of the fiscal year that will be used to pay for the services approved for the fiscal year beginning July 1. The amount of these approved services are part of unrestricted net position.

Cash and Cash Equivalents

MHB considers all short-term investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Investments

Investments are presented at fair value, excluding investments in certain debt instruments with a remaining maturity of one year or less at time of purchase, which are reported at amortized cost. Unrealized gains and losses are included in the statements of revenues, expenses, and changes in net position.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

Capital Assets

Capital assets are stated at cost. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated lives for computing depreciation on capital assets are three to seven years.

Components of Net Position

Investment in Capital Assets

Investment in capital assets consists of the cost of furniture and equipment, net of the related accumulated depreciation expense.

Unrestricted

Appropriated for Grants, Partnerships, and Initiatives - Funds committed for specific grants, project expenditures and collaborative programs in the fiscal year 2015 are designated as appropriations.

Investment in Mental Health Supported Housing Loans - Loans issued to agencies for housing projects expected to be forgiven in future years.

Designated for Unanticipated Projects - Funds designated by MHB for grants, project expenditures and collaborative programs in the fiscal year 2015 which have not yet been appropriated for specific agencies/projects.

Designated for Administration - Funds designated for administration of projects in fiscal year 2015.

Designated for Future Projects - Funds designated by MHB for services and/or capital projects which have not yet been appropriated.

Designated for Contingencies and Long-term Reserve - MHB has established a fiscal policy which requires maintaining a reserve for emergency or unanticipated needs (contingencies) and a reserve that may be used for unusual expenses or operational shortfalls (long-term reserve). Under the policy MHB shall maintain aggregate contingency and long-term reserve funds of between 25 and 100 percent of annual non-federal expenditures. The policy currently states that the contingency and long-term reserve shall be 7 and 31 percent, respectively, of annual non-federal expenditures.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

Operating Revenues and Expenses

MHB classifies all operating and non-operating revenues and expenses in the same manner that individual transactions are classified for cash flow purposes under GASB guidance.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will periodically report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will periodically, report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

These financial statements currently include no deferred inflows or outflows of resources.

Subsequent Events

Subsequent events were evaluated through November 20, 2014, which is the date the financial statements were available to be issued.

Recent Accounting Pronouncements

The accounting principles governing the reported amounts, presentation and related disclosures are subject to change from time to time based on new pronouncements and/or rules issued by various governing bodies. GASB is responsible for establishing GAAP for state and local governments.

In June 2012, the GASB issued Statement No. 68 "Accounting and Reporting for Pensions". The objective of the Statement is to revise existing accounting and financial reporting requirements for most pension plans, and to revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The requirements in Statement No. 68 are effective for periods beginning after June 15, 2014.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014 and 2013

In January 2013, the GASB issued Statement No. 69 "Government Combinations and Disposals of Government Operations." The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement also provides the basis on which these transactions should be measured, as well as requires certain disclosures to be made about government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

In November 2013, the GASB issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68". The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

The effects on the MHB's financial statements as a result of the adoption of these new pronouncements are unknown.

B. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments at June 30, 2014 and 2013, consisted of the following:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Cash deposits	\$ 6,508,853	\$ 6,508,853	\$ 7,706,004	\$ 7,706,004
Money market accounts	235,370	235,370	2,083,637	2,083,637
Agency securities	3,592,531	3,580,473	6,864,780	6,820,122
Corporate bonds	-	-	764,343	759,865
Certificates of deposit	11,885,818	11,921,621	5,934,855	5,909,896
Total Cash and Cash Equivalents and Investments	<u>\$22,222,572</u>	<u>\$22,246,317</u>	<u>\$23,353,619</u>	<u>\$23,279,524</u>

Included in the accompanying statements of net position as:

	2014	2013
Cash and cash equivalents	\$ 6,744,223	\$ 9,789,641
Investments - current	3,964,408	5,546,594
Investments - noncurrent	11,537,686	7,943,289
Total Cash and Cash Equivalents and Investments	<u>\$22,246,317</u>	<u>\$23,279,524</u>

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014 and 2013

Maturities of debt securities at June 30, are as follows:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
One year or less	\$ 3,983,406	\$ 3,964,408	\$ 5,601,238	\$ 5,546,594
After one through five years	11,494,943	11,537,686	7,962,740	7,943,289
	<u>\$15,478,349</u>	<u>\$15,502,094</u>	<u>\$13,563,978</u>	<u>\$13,489,883</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. MHB has a formal investment policy that limits investment maturities to five years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk of Debt Securities - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. MHB has a formal investment policy that limits its investment choices.

Credit ratings of debt securities at June 30, 2014 are as follows:

	AAA	AA	A	BBB	Unrated
Agency securities	\$2,441,052	\$ -	\$ -	\$ -	\$ 1,139,421
Certificates of deposit	-	-	-	-	11,921,621
Total Debt Securities	<u>\$2,441,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$13,061,042</u>

Credit ratings of debt securities at June 30, 2013 are as follows:

	AAA	AA	A	BBB	Unrated
Agency securities	\$4,036,790	\$2,783,332	\$ -	\$ -	\$ -
Corporate bonds	-	-	508,676	251,189	-
Certificates of deposit	-	-	-	-	5,909,896
Total Debt Securities	<u>\$4,036,790</u>	<u>\$2,783,332</u>	<u>\$508,676</u>	<u>\$251,189</u>	<u>\$ 5,909,896</u>

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, MHB will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Protection of MHB's investments is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, or by a single collateral pool established by the financial institution.

Concentration of Credit Risk - Concentration of credit risk is the risk of a loss attributed to the magnitude of MHB's investment in a single issuer. MHB's investment policy prohibits investment in bankers' acceptances and commercial paper by the same issuer in excess of 5% of the total market value of the portfolio. MHB also established a set of diversification standards by security type and by issuer as a means of limiting its exposure to concentration of credit risk.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014 and 2013

Investment income for the years ended June 30, is as follows:

	2014	2013
Interest and dividend income	\$ 203,850	\$ 200,906
Net realized and unrealized losses on investments	(30,584)	(161,443)
Total Investment Income	\$ 173,266	\$ 39,463

C. MENTAL HEALTH SUPPORTED HOUSING LOANS RECEIVABLE

MHB maintains a Housing Acquisition Initiative ("Housing Project") in order to increase the quality and quantity of housing available for persons with serious mental illness and those completing substance abuse treatment who need subsidized housing. Currently, five agencies (the "Agencies") have received support from the funds allocated by MHB for the Housing Project. As a part of the Housing Project, MHB committed to provide 10 year forgivable loans to the Agencies. In 2014 and 2013, loans made to the Agencies amounted to \$250,000 and \$147,001, respectively. The proceeds of these loans were used to finance renovation and improvement of residential properties, which are owned by the Agencies, into affordable housing for the mentally ill. Housing loans outstanding as of June 30, 2014 and 2013, totaled \$887,544 and \$722,362, respectively.

On each anniversary of the loans, one tenth of the outstanding principal balance, plus all accrued interest at 4 percent, will be forgiven. Also, upon the maturity date of the loan, the remaining principal balance and accrued interest shall be deemed satisfied and discharged. The loans mature through April 2024.

During 2014 and 2013, \$84,818 and \$84,820 was forgiven on mental health supported housing loans receivable, respectively.

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture and equipment	\$ 47,374	\$ 750	\$ -	\$ 48,124
Less accumulated depreciation	(44,080)	(2,149)	-	(46,229)
Total Capital Assets, Net	\$ 3,294	\$ (1,399)	\$ -	\$ 1,895

Capital asset activity for the year ended June 30, 2013, is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture and equipment	\$ 46,569	\$ 805	\$ -	\$ 47,374
Leasehold improvements	77,179	-	77,179	-
	123,748	805	77,179	47,374
Less accumulated depreciation and amortization	(119,381)	(1,878)	77,179	(44,080)
Total Capital Assets, Net	\$ 4,367	\$ (1,073)	\$ -	\$ 3,294

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

Depreciation expense totaled \$2,149 and \$1,878 for the years ended June 30, 2014 and 2013, respectively.

E. COMMITMENTS AND CONTINGENCIES

MHB is committed under a lease agreement for its office facilities through February 2018. Lease expense totaled \$60,693 and \$49,607 for the years ended June 30, 2014 and 2013, respectively.

Future minimum lease payments as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 62,499
2016	64,358
2017	66,266
2018	67,397
2019	<u>5,616</u>
	<u>\$ 266,136</u>

Financial awards from the federal government in the form of grants are subject to special oversights and audits. These audits could result in claims against MHB for disallowed costs. No provisions have been made for any liabilities that may result from such audits since the amounts, if any, cannot be determined.

MHB committed approximately \$11,376,000 to fund programs and service contracts with various organizations for fiscal 2015. The Board of Trustees of MHB approved the commitments during fiscal 2014 and 2015 board meetings. The payments to the organizations are contingent on the services being performed.

F. RETIREMENT PLAN

The employees of MHB participate in the Employees' Retirement System of the City of St. Louis (the "Plan"). Participation in the Plan is immediate upon employment. MHB contributed the required amounts of \$85,686 and \$72,908 on behalf of its employees in 2014 and 2013, respectively. The City of St. Louis Retirement System is a cost-sharing multi-employer plan and issues a publicly available annual report that includes financial statistics, an actuarial valuation, and the required supplementary information. That report may be obtained by writing to the City of St. Louis Employees' Retirement System, Room 900, 1114 Market St., St. Louis, Missouri, 63101.

G. FUNDING

Major funding for MHB is from tax revenues received from a tax levy that authorizes maximum rates of \$0.09 and \$0.19 per \$100 for the MHF and the CCSF, respectively, of assessed valuation of all taxable personal property, real estate, and manufacturing properties in the City of St. Louis.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014 and 2013

Tax levy rates of \$0.09 and \$0.19, respectively for MHF and CCSF were established for fiscal year 2014. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable by December 31.

The City collects the property tax and remits it to MHB. Tax revenues for the years ended June 30, 2014 and 2013, were as follows:

	<u>2014</u>	<u>2013</u>
Real estate tax	\$ 8,432,206	\$ 8,883,467
Personal property tax	2,095,150	2,106,512
Total property tax	<u>10,527,356</u>	<u>10,989,979</u>
Manufacturing and other taxes	741,531	775,245
Institutional tax	<u>88,820</u>	<u>26,995</u>
	<u>\$ 11,357,707</u>	<u>\$ 11,792,219</u>

H. UNRESTRICTED NET POSITION

The components of unrestricted net position at June 30, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Appropriated for grants, partnerships, and initiatives	\$ 11,375,700	\$ 10,826,167
Investment in mental health supported housing loans	887,544	722,362
Designated for unanticipated projects	100,000	100,000
Designated for administration	1,268,200	1,272,858
Designated for future projects	-	1,836,472
Designated for contingencies	841,129	798,920
Designated for long-term reserve	3,725,002	3,538,075
Unreserved, undesignated	<u>5,196,645</u>	<u>4,780,309</u>
Total Unrestricted Net Position	<u>\$ 23,394,220</u>	<u>\$ 23,875,163</u>



**Independent Auditors' Report on
Additional Information**

To the Board of Trustees
City of St. Louis Mental Health Board of Trustees
St. Louis, Missouri

We have audited the financial statements of the City of St. Louis Mental Health Board of Trustees as of and for the year ended June 30, 2014, and have issued our report thereon dated November 20, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of grants, partnerships and initiatives expense is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.


November 20, 2014

City of St. Louis Mental Health Board of Trustees
SCHEDULE OF GRANTS, PARTNERSHIPS, AND INITIATIVES EXPENSES
For The Year Ended June 30, 2014

22nd Judicial Court of Missouri, Family Court-Juvenile Division	\$ 384,770
Amanda Lockett Murphy Hopewell Center	100,000
Area Resources for Community and Human Services	701,170
Bi-Lingual International Assistant Services	199,255
Big Brothers Big Sisters of Eastern Missouri	225,000
Bridgeway Behavioral Health	235,446
Catholic Family Services	40,908
Center for Survivors of Torture and War Trauma	132,523
CHARACTERplus	38,042
Children's Advocacy Services of Greater St. Louis	463,987
Children's Home Society of Missouri	114,275
City of St. Louis Department of Human Services	248,982
College Bound	52,253
Covenant House of Missouri	364,742
Dartmouth College	600
Employment Connection	202,953
Epworth Children & Family Services	343,152
Family Care Health Centers	287,222
Family Resource Center	156,999
Father's Support Center, St. Louis	318,218
Foster and Adoptive Care Coalition	287,304
Great Circle	157,262
Independence Center	194,571
International Institute of St. Louis	43,400
International Language Center	465
Kids in the Middle	230,301
Legal Services of Eastern Missouri	220,130
Lutheran Family and Children's Services of Missouri	128,447
Marian Middle School	97,424
Metro St. Louis EHOC	2,500
Maternal, Child and Family Health Coalition	410,044
Missouri Department of Mental Health	225,000
Missouri Institute of Mental Health	65,741
National Alliance on Mental Illness	17,026
Neighborhood Houses	86,219
North Grand Neighborhood Services	51,601
Northside Youth and Senior Service Center, Inc.	377,803
One Hope United	99,864
Our Little Haven	249,000
Paraquad	578
Places for People, Inc.	1,520,034
Preferred Family Healthcare	209,248
Queen of Peace Center	115,098
Redevelopment Opportunities for Women	57,152
Safe Connections	237,906
Saint Louis Crisis Nursery	73,390
Saints Teresa and Bridget Church	30,453
SouthSide Early Childhood Center	100,979
St. Louis Art Works	135,513
St. Louis Internship Program	145,456

City of St. Louis Mental Health Board of Trustees
SCHEDULE OF GRANTS, PARTNERSHIPS, AND INITIATIVES EXPENSES
For The Year Ended June 30, 2014

The SPOT	244,196
The Salvation Army - Midland Division	72,335
United 4 Children	460,196
United Way of Greater St. Louis, Inc.	180,000
Vision for Children At-Risk	13,975
Voices for Children	205,768
Wesley House Association	101,351
Other	3,801
	<u>\$ 11,462,028</u>