

**CITY OF ST. LOUIS MENTAL HEALTH
BOARD OF TRUSTEES**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2017 AND 2016

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	11
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	13
STATEMENTS OF CASH FLOWS	14
NOTES TO FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A)	
SCHEDULES OF SELECTED PENSION INFORMATION – EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS	30
SUPPLEMENTARY INFORMATION	
SCHEDULE OF GRANTS, PARTNERSHIPS, AND INITIATIVES TO ORGANIZATIONS	31

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of St. Louis Mental Health Board of Trustees (St. Louis Mental Health Board), which comprise the statement of net position as of June 30, 2017 and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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. 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 auditors' 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 financial position of the business-type activities of the St. Louis Mental Health Board as of June 30, 2017 and the change in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The 2016 financial statements of the St. Louis Mental Health Board were audited by other auditors whose report dated November 17, 2016, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of selected pension information, on pages 4 through 10 and page 30, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

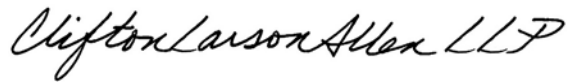
Other Information

The schedule of grants, partnerships, and initiatives expenses is the responsibility of management and was 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 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Trustees
City of St. Louis Mental Health Board of Trustees

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017, on our consideration of the St. Louis 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the St. Louis Mental Health Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Louis Mental Health Board's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

St. Louis, Missouri
November 16, 2017

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2017 AND 2016**

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, 2017 and 2016. Please read it in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- MHB's net position as of June 30, 2017, decreased by \$0.58 million due to planned reductions in reserves for Community Services.
- MHB's 2017 tax revenues were more than budgeted by \$0.034 million or .3%, due to better than expected collections.
- MHB's 2017 expenses were less than budgeted by \$0.848 million or 6.0% primarily due to reductions in disbursements for contracts and federal subawards of certain agencies related to their actual expenses being less than originally budgeted.

THE FINANCIAL REPORT

MHB's financial statements consist of the following parts:

- Management's Discussion and Analysis (MD&A)
- 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, deferred outflows, liabilities, and deferred inflows 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)
YEARS ENDED JUNE 30, 2017 AND 2016**

STATEMENTS OF NET POSITION

The following tables reflect the condensed statements of net position as of June 30, 2017 and 2016:

**Condensed Statements of Net Position
(In Thousands of Dollars)**

	<u>2017</u>	<u>2016</u>	<u>Amount Change</u>	<u>Percent Change</u>
Current Assets	\$ 10,310	\$ 13,289	\$ (2,979)	(22.4)%
Noncurrent Assets	11,466	9,182	2,284	24.9
Total Assets	<u>21,776</u>	<u>22,471</u>	<u>(695)</u>	<u>(3.1)</u>
Deferred Outflows of Resources	<u>221</u>	<u>300</u>	<u>(79)</u>	<u>(26.3)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 21,997</u>	<u>\$ 22,771</u>	<u>\$ (774)</u>	<u>(3.4)%</u>
Current Liabilities	\$ 305	\$ 482	\$ (177)	(36.8)%
Noncurrent Liabilities	588	601	(13)	(2.1)
Total Liabilities	<u>893</u>	<u>1,083</u>	<u>(190)</u>	<u>(17.5)</u>
Deferred Inflows of Resources	<u>17</u>	<u>19</u>	<u>(2)</u>	<u>(10.5)</u>
Net Position				
Investment in Capital Assets	35	35	0	(0.0)
Unrestricted	21,052	21,634	(582)	(2.7)
Total Net Position	<u>21,087</u>	<u>21,669</u>	<u>(582)</u>	<u>(2.7)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 21,997</u>	<u>\$ 22,771</u>	<u>\$ (774)</u>	<u>(3.4)%</u>

MHB's net position decreased \$0.58 million as a result of this year's operations, resulting in ending net position of \$22 million, or a decrease of 2.7%. Unrestricted net position (the part of net position that can be used to finance project services and administrative operations without legal restrictions or obligations) decreased from \$21.6 million to \$21.1 million, or a decrease of 2.7% at year-end. MHB can use these funds for continuing project services and administrative operations.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2017 AND 2016**

The components of unrestricted net position at June 30, 2017 and 2016 are as follows:

	2017	2016
	<i>(In Thousands)</i>	
Appropriated for Grants, Partnerships, and Initiatives	\$ 11,393	\$ 11,042
Investment in Mental Health Supported Housing Loans	1,468	1,127
Designated for:		
Unanticipated Projects	100	100
Administration	1,550	2,077
Contingencies	851	855
Long-Term Reserve	3,770	3,784
Unreserved, Undesignated	1,920	2,649
Total Unrestricted Net Position	\$ 21,052	\$ 21,634

A review of the 2017 statement of net position reveals the following:

Total assets of MHB are \$21.8 million. This includes cash and cash equivalents of \$5.3 million and investments of \$14.6 million. Total liabilities are \$0.9 million. This includes net pension liability of \$0.59 million. The most significant current liability is grants payable which totals \$0.16 million.

Total net position of MHB is \$21.1 million. This consists mostly of unrestricted net position.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2017 AND 2016**

The following tables reflect the condensed statements of net position as of June 30, 2016 and 2015:

**Condensed Statement of Net Position
(In Thousands of Dollars)**

	<u>2016</u>	<u>2015</u>	<u>Amount Change</u>	<u>Percent Change</u>
Current Assets	\$ 13,289	\$ 11,273	\$ 2,016	17.9 %
Noncurrent Assets	9,182	11,832	(2,650)	(22.4)
Total Assets	<u>22,471</u>	<u>23,105</u>	<u>(634)</u>	<u>(2.7)</u>
Deferred Outflows of Resources	<u>300</u>	<u>120</u>	<u>180</u>	<u>150.0</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 22,771</u>	<u>\$ 23,225</u>	<u>\$ (454)</u>	<u>2.0 %</u>
Current Liabilities	\$ 482	\$ 596	\$ (114)	(19.1)%
Noncurrent Liabilities	601	371	230	62.0
Total Liabilities	<u>1,083</u>	<u>967</u>	<u>116</u>	<u>12.0</u>
Deferred Inflows of Resources	<u>19</u>	<u>29</u>	<u>(10)</u>	<u>(34.5)</u>
Net Position				
Investment in Capital Assets	35	39	(4)	(10.3)
Unrestricted	<u>21,634</u>	<u>22,190</u>	<u>(556)</u>	<u>(2.5)</u>
Total Net Position	<u>21,669</u>	<u>22,229</u>	<u>(560)</u>	<u>(2.5)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 22,771</u>	<u>\$ 23,225</u>	<u>\$ (454)</u>	<u>(2.0)%</u>

Unrestricted net position (the part of net position that can be used to finance project services and administrative operations) decreased by \$0.56 million to \$21.6 million.

	<u>2016</u>	<u>2015</u>
	<i>(In Thousands)</i>	
Appropriated for Grants, Partnerships, and Initiatives	\$ 11,042	\$ 11,467
Investment in Mental Health Supported Housing Loans	1,127	1,048
Designated for:		
Unanticipated Projects	100	100
Administration	2,077	1,860
Contingencies	855	872
Long-Term Reserve	3,784	3,861
Unreserved, Undesignated	<u>2,649</u>	<u>2,982</u>
Total Unrestricted Net Position	<u>\$ 21,634</u>	<u>\$ 22,190</u>

A review of the 2016 statement of net position reveals the following:

Total assets of MHB are \$22.5 million. This includes cash and cash equivalents of \$5.7 million and investments of \$15.3 million. Total liabilities are \$1.1 million. This includes net pension liability of \$0.6 million. The most significant current liability is grants payable which totals \$0.3 million.

Total net position of MHB is \$21.7 million. This consists mostly of unrestricted net position.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2017 AND 2016**

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

MHB classifies all operating and nonoperating 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, 2017 and 2016:

**Condensed Statements of Revenues,
Expenses, and Changes in Net Position
(In Thousands of Dollars)**

	2017	2016	Amount Change	Percent Change
Operating Revenues	\$ 12,777	\$ 12,641	\$ 136	1.1%
Operating Expenses	13,359	13,201	158	1.2
Excess (Deficit) of Operating Revenues Over Expenses	(582)	(560)	(22)	3.9
Beginning Net Position	21,669	22,229	(560)	(2.5)
Ending Net Position	<u>\$ 21,087</u>	<u>\$ 21,669</u>	<u>\$ (582)</u>	<u>(2.7)%</u>

A review of the 2017 statement of revenues, expenses, and changes in net position indicates the most significant component of revenues is tax revenues of \$11.5 million. Property tax revenues represent \$10.8 million of this total. Another major source of revenues is operating grants which consist of federal grants totaling \$1.2 million.

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

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2017 AND 2016**

The following table reflects the revenues and expenses of MHB's activities for the years ended June 30, 2016 and 2015:

**Condensed Statements of Revenues,
Expenses, and Changes in Net Position
(In Thousands of Dollars)**

	2016	2015	Amount Change	Percent Change
Operating Revenues	\$ 12,641	\$ 12,442	\$ 199	1.6 %
Operating Expenses	13,201	13,304	(103)	(0.8)
Excess (Deficit) of Operating Revenues Over Expenses	(560)	(862)	302	35.0
Beginning Net Position	22,229	23,091	(862)	(3.7)
Ending Net Position	<u>\$ 21,669</u>	<u>\$ 22,229</u>	<u>\$ (560)</u>	<u>(2.5)%</u>

A review of the 2016 statement of revenues, expenses, and changes in net position indicates the most significant component of revenues is tax revenues of \$11.5 million. Property tax revenues represent \$10.7 million of this total. Another major source of revenues is operating grants which consist of federal grants totaling \$0.9 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 2018 budget. Factors include the approved property tax rates and the economy. Property tax rates for the upcoming budget year are \$.0883 and \$.1865 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 \$1.4 million in 2018 primarily as a result of an anticipated increase in tax revenues and additional federal funding.

Total expenses are expected to increase by \$1.2 million primarily due to expenditures related to federal contracts.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2017 AND 2016**

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

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016**

	2017	2016
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,281,609	\$ 5,673,543
Investments	4,483,555	7,149,963
Receivables		
Grants Receivable	129,607	155,476
Taxes Receivable	105,666	86,606
Mental Health Supported Housing Loans Receivable	208,390	158,389
Prepaid Expenses and Other Current Assets	100,957	64,614
Total Current Assets	10,309,784	13,288,591
NONCURRENT ASSETS		
Investments	10,130,049	8,137,644
Mental Health Supported Housing Loans Receivable	1,259,768	968,158
Other Assets	41,025	41,081
Capital Assets, Net	35,379	35,254
Total Noncurrent Assets	11,466,221	9,182,137
 Total Assets	 21,776,005	 22,470,728
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	221,363	300,329
 Total Assets and Deferred Outflows of Resources	 \$ 21,997,368	 \$ 22,771,057

See accompanying Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 37,618	\$ 21,823
Accrued Liabilities	71,640	72,726
Grants Payable	160,641	387,153
Refundable Advance	35,443	-
Total Current Liabilities	<u>305,342</u>	<u>481,702</u>
 NONCURRENT LIABILITIES		
Net Pension Liability	<u>587,960</u>	<u>601,622</u>
 Total Liabilities	893,302	1,083,324
 DEFERRED INFLOWS OF RESOURCES		
Pension Related	16,635	18,643
 NET POSITION		
Investment in Capital Assets	35,379	35,254
Unrestricted	<u>21,052,052</u>	<u>21,633,836</u>
Total Net Position	<u>21,087,431</u>	<u>21,669,090</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 21,997,368</u></u>	<u><u>\$ 22,771,057</u></u>

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Property Taxes	\$ 10,781,251	\$ 10,717,767
Manufacturing, Institutional, and Other Taxes	713,110	798,430
Operating Grants - Federal	1,193,116	913,587
Investment Return, Net of Fees	78,384	178,614
Miscellaneous Income	<u>11,444</u>	<u>32,797</u>
Total Operating Revenues	12,777,305	12,641,195
 OPERATING EXPENSES		
Grants, Partnerships, and Initiatives	11,293,624	11,432,923
Forgiveness of Mental Health Supported Housing Loans	158,389	136,888
Direct Project Expenses	1,185,415	946,909
Administration	<u>721,536</u>	<u>684,726</u>
Total Operating Expenses	<u>13,358,964</u>	<u>13,201,446</u>
 DEFICIT OF OPERATING REVENUES OVER EXPENSES	(581,659)	(560,251)
 Net Position - Beginning of Year	<u>21,669,090</u>	<u>22,229,341</u>
 NET POSITION - END OF YEAR	<u><u>\$ 21,087,431</u></u>	<u><u>\$ 21,669,090</u></u>

See accompanying Notes to Financial Statements.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Property and Other Taxes	\$ 11,475,301	\$ 11,530,152
Interest and Dividends Received	235,643	232,594
Proceeds from Other Support	1,230,429	851,709
Cash Paid for Projects	(12,603,153)	(12,164,960)
Cash Paid for Salaries and Employee Benefits	(922,367)	(868,348)
Cash Paid for Other Operating Activities	(307,351)	(311,315)
Net Cash Used by Operating Activities	(891,498)	(730,168)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(11,302)	(5,623)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(8,418,508)	(7,358,823)
Sales of Investments	8,929,374	7,774,207
Net Cash Provided by Investing Activities	510,866	415,384
NET DECREASE IN CASH AND CASH EQUIVALENTS	(391,934)	(320,407)
Cash and Cash Equivalents - Beginning of Year	5,673,543	5,993,950
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,281,609	\$ 5,673,543
RECONCILIATION OF DEFICIT OF OPERATING REVENUES OVER EXPENSES TO NET CASH USED BY OPERATING ACTIVITIES:		
Deficit of Operating Revenues Over Expenses	\$ (581,659)	\$ (560,251)
Adjustments to Reconcile Deficit of Operating Revenues Over Expenses to Net Cash Used by Operating Activities:		
Depreciation	11,177	9,579
Forgiveness of Mental Health Supported Housing Loans	158,389	136,888
Unrealized Gain/Loss	163,136	49,693
Change in Assets and Liabilities:		
(Increase) Decrease in Grants Receivable	25,869	(94,675)
(Increase) Decrease in Taxes Receivable	(19,060)	13,955
Increase in Mental Health Supported Housing Loans Receivable	(500,000)	(215,000)
(Increase) Decrease in Prepaid Expenses and Other Assets	(36,287)	3,619
(Increase) Decrease in Deferred Outflows	78,966	(179,860)
Increase in Accounts Payable and Accrued Liabilities	14,710	63,081
Increase (Decrease) in Grants Payable	(226,512)	(177,418)
Increase (Decrease) in Refundable Advances	35,443	-
Decrease in Deferred Inflows	(2,008)	(10,550)
Increase (Decrease) in Net Pension Liability	(13,662)	230,771
Net Cash Used by Operating Activities	\$ (891,498)	\$ (730,168)

See accompanying Notes to Financial Statements.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 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 nonprofit 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 in accordance with RSMo. 210-860-201.861.

CCSF has been established as a legally separate entity. However, because by statute the MHB acts as the governing body of the CCSF, the CCSF is reported as if it were part of MHB. Separate financial statements for the CCSF are not available. MHB and CCSF have the same governance board.

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. However, MHB is fiscally independent of the City. Therefore, the City is not financially accountable for MHB, and MHB is not a component unit of the City.

MHB continues to report under the governmental nonprofit reporting model as a business-type activities governmental entity allowed under GASB 29 and GASB 34.

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, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Appropriations

MHB appropriates funds for specific projects and programs to be expended for the following year's program service funding period July 1, 2017 to June 30, 2018. 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 City's collector of revenue are included in taxes receivable. Undistributed taxes totaled \$105,666 and \$86,606 at June 30, 2017 and 2016, 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 is 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 in accordance with GASB guidelines. Unrealized gains and losses are included in the statements of revenues, expenses, and changes in net position.

Fair Value Measurements

MHB categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, and software, 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 2018 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 2018 which have not yet been appropriated for specific agencies/projects.

Designated for Administration – Funds designated for administration of projects in fiscal year 2018.

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% of annual nonfederal expenditures. The contingency and long-term reserves are currently approximately 7% and 31%, respectively, at June 30, 2017 and 2016 of annual 2017 and 2016 nonfederal expenditures in compliance with MHB's stated policy.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

MHB classifies all operating and nonoperating 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.

NOTE 2 FAIR VALUE MEASUREMENTS

The following table presents the fair value measurements of investments recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements are categorized at June 30, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
Investments:				
Agency Securities	\$ -	\$ 2,938,037	\$ -	\$ 2,938,037
Certificates of Deposit	-	11,675,567	-	11,675,567
Total Investments at Fair Value	<u>\$ -</u>	<u>\$ 14,613,604</u>	<u>\$ -</u>	<u>\$ 14,613,604</u>
	2016			
	Level 1	Level 2	Level 3	Total
Investments:				
Agency Securities	\$ -	\$ 2,986,793	\$ -	\$ 2,986,793
Certificates of Deposit	-	12,300,814	-	12,300,814
Total Investments at Fair Value	<u>\$ -</u>	<u>\$ 15,287,607</u>	<u>\$ -</u>	<u>\$ 15,287,607</u>

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 – Investments consist of agency securities and certificates of deposit with maturities longer than three months. These investments are valued using evaluated pricing, which incorporates modeling techniques, information from extensive market sources, observed transaction data, credit quality information, perceived market movements, news, and other relevant information.

NOTE 3 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments at June 30, 2017 and 2016 consisted of the following:

Included in the accompanying statements of net position as:

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 5,281,609	\$ 5,673,543
Investments - Current	4,483,555	7,149,963
Investments - Noncurrent	<u>10,130,049</u>	<u>8,137,644</u>
Total Cash and Cash Equivalents and Investments	<u>\$ 19,895,213</u>	<u>\$ 20,961,150</u>

Maturities of debt securities at June 30 are as follows:

	<u>2017</u>		<u>2016</u>	
	Cost	Fair Value	Cost	Fair Value
One Year or Less	\$ 4,489,525	\$ 4,483,555	\$ 7,199,571	\$ 7,149,963
After One Through Five Years	10,202,602	10,130,049	8,096,287	8,137,644
Total	<u>\$ 14,692,127</u>	<u>\$ 14,613,604</u>	<u>\$ 15,295,858</u>	<u>\$ 15,287,607</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.

CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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, 2017 are as follows:

	AAA	AA	A	BBB	Unrated
Agency Securities	\$ -	\$ 2,790,088	\$ -	\$ -	\$ 147,949
Certificates of Deposit	-	-	-	-	11,675,567
Total Debt Securities	<u>\$ -</u>	<u>\$ 2,790,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,823,516</u>

Credit ratings of debt securities at June 30, 2016 are as follows:

	AAA	AA	A	BBB	Unrated
Agency Securities	\$ -	\$ 2,647,291	\$ -	\$ -	\$ 339,502
Certificates of Deposit	-	-	-	-	12,300,814
Total Debt Securities	<u>\$ -</u>	<u>\$ 2,647,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,640,316</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, or by an irrevocable letter of credit established by the financial institution for the benefit of MHB.

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.

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

	2017	2016
Interest and Dividend Income, Net of Fees	\$ 241,520	\$ 228,307
Unrealized Gain(Loss)	(163,136)	(49,693)
Total Investment Return, Net of Fees	<u>\$ 78,384</u>	<u>\$ 178,614</u>

Investment fees for the years ended June 30, 2017 and 2016 totaled \$15,290 and \$15,999, respectively.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 4 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, eight 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 2017 and 2016, loans made to the Agencies amounted to \$500,000 and \$215,000, 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, 2017 and 2016 totaled \$1,468,158 and \$1,126,547, respectively.

On each anniversary of the loans, one tenth of the outstanding principal balance, plus all accrued interest at 4%, 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 June 2027.

During 2017 and 2016, \$158,389 and \$136,888 was forgiven on mental health supported housing loans receivable, respectively.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture and Equipment	\$ 53,747	\$ 11,302	\$ (46,069)	\$ 18,980
Software	43,000	-	-	43,000
Less: Accumulated Depreciation	(61,493)	(11,177)	46,069	(26,601)
Total Capital Assets, Net.	<u>\$ 35,254</u>	<u>\$ 125</u>	<u>\$ -</u>	<u>\$ 35,379</u>

Capital asset activity for the year ended June 30, 2016 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture and Equipment	\$ 48,124	\$ 5,623	\$ -	\$ 53,747
Software	43,000	-	-	43,000
Less: Accumulated Depreciation	(51,914)	(9,579)	-	(61,493)
Total Capital Assets, Net.	<u>\$ 39,210</u>	<u>\$ (3,956)</u>	<u>\$ -</u>	<u>\$ 35,254</u>

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 6 COMMITMENTS AND CONTINGENCIES

MHB is committed under a lease agreement for its office facilities through August 2023. Lease expense totaled \$70,186 and \$65,935 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments as of June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 73,895
2019	73,331
2020	72,469
2021	71,870
2022	71,125
Thereafter	78,630
Total	<u>\$ 441,320</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 has committed \$11,393,000 to fund programs and service contracts with various organizations for fiscal 2018. The Board of Trustees of MHB approved the commitments during fiscal 2017 board meetings. The payments to the organizations are contingent on the services being performed.

NOTE 7 PENSION PLAN

Plan Description

MHB contributes to the Employees Retirement System of the City of St. Louis (the Plan) which is a cost-sharing multi-employer defined benefit retirement plan. The Plan is administered by a separate board of trustees, members of which are appointed by City officials and Plan participants. All nonuniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Plan upon employment with the exception of employees hired after attaining age 60.

The Plan 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.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 7 PENSION PLAN (CONTINUED)

Benefits

The Plan provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base.

Contributions

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits due. If contributions are necessary, level percentage of payroll employer contribution rates are determined using the projected unit credit actuarial cost method. Employer contribution rates are established annually by the board of trustees of the Plan based on an actuarial study. MHB's actuarially determined contribution rates for the years ended June 30, 2017 and 2016 were 12.43% and 13.86% of covered payroll, respectively. The actuarially determined contribution rate is calculated based on the actuarial valuation at the beginning of the plan year. MHB's contributions to the Plan for the years ended June 30, 2017 and 2016 were \$85,938 and \$88,585, respectively.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2017 and 2016, MHB reported a liability of \$587,960 and \$601,622, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of October 1, 2015 and 2014, respectively. MHB's proportion of the net pension liability was based on a projection of MHB's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2016, MHB's proportion was 0.2810% which was an increase of 0.0161% from its proportion measured as of September 30, 2015.

For the year ended June 30, 2017, MHB recognized pension expense of \$149,232. At June 30, 2017, MHB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 11,851
Changes of Assumptions	-	4,784
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	110,443	-
Changes in Proportion	47,980	-
MHB Contributions Subsequent to the Measurement Date	62,940	-
Total	<u>\$ 221,363</u>	<u>\$ 16,635</u>

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 7 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2016, MHB recognized pension expense of \$128,946. At June 30, 2016, MHB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ 9,624
Changes of Assumptions	-	9,019
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	173,326	-
Changes in Proportion	59,723	-
MHB Contributions Subsequent to the Measurement Date	67,280	-
Total	<u>\$ 300,329</u>	<u>\$ 18,643</u>

The \$62,940 of deferred outflows of resources resulting from MHB's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. The \$67,280 of deferred outflows of resources resulting from MHB's contributions subsequent to the fiscal year 2015 measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 62,693
2019	42,721
2020	43,652
2021	(7,278)
Total	<u>\$ 141,788</u>

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 7 PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	October 1, 2015 for the year ended September 30, 2016, and October 1, 2014 for the year ended September 30, 2015
Timing	Actuarially determined contributions rates are calculated based on the actuarial valuation at the beginning of the year.
Actuarial Cost Method	Entry age normal
Asset Valuation Method	5-year smoothing
Amortization Method	Fixed 20-year period as of October 1, 2015 as a leverage percentage of payroll. Further gains and losses and changes in actuarial assumptions will be amortized in layers over separate 20-year periods.
Discount Rate	7.50%
Inflation	2.50%
Salary Increases	3.00% plus merit component based on years of service
Mortality	RP-2000 Healthy Mortality

The target allocation and best estimate of arithmetic real rate of return on Plan investments for each major asset class are summarized in the following table:

	<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Private Equity		5.00 %	8.25 %
Real Estate		10.00	5.00
Hedge Funds		10.00	4.50
Master Limited partnerships		7.50	6.00
International Equity		21.50	6.84
Domestic Equity		21.00	5.05
Fixed Income		25.00	2.25
Total		<u>100.00 %</u>	

Discount Rate and Other Key Assumptions for Total Pension Liability

The discount rate used to measure the total pension liability was 7.50%, as of September 30, 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate. Based on these assumptions, the Plan's net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on the Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of investment expenses but without reduction for administrative expenses at 7.50%. Inflation assumed to be 2.5%. Bond Yield assumed to be 3.06%.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 7 PENSION PLAN (CONTINUED)

Sensitivity of MHB's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents MHB's proportionate share of the net pension liability at September 30, 2016 and 2015 calculated using an assumed long-term expected rate of return of 7.50% and 7.50%, respectively, as well as what MHB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	September 30, 2016		
	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
MHB's Proportionate Share of Net Pension Liability	<u>\$ 864,997</u>	<u>\$ 587,960</u>	<u>\$ 351,164</u>
	September 30, 2015		
	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
MHB's Proportionate Share of Net Pension Liability	<u>\$ 858,170</u>	<u>\$ 601,622</u>	<u>\$ 382,295</u>

NOTE 8 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.

Taxes are levied annually in November based on the assessed valuation of all real and personal property located in the City as of the previous January 1 and use is first permitted the following fiscal year. The Tax levy rates of \$0.09 and \$0.19, respectively, for MHF and CCSF were established for fiscal year 2017 and 2016. Taxes are billed in November and are due and collectible December 31. All unpaid taxes become delinquent on January 1 of the following year and attach as an enforceable lien on the related party at that date.

CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 FUNDING (CONTINUED)

The City collects the property tax and remits it to MHB. Tax revenues for the years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Real Estate Tax	\$ 8,560,520	\$ 8,481,585
Personal Property Tax	<u>2,220,731</u>	<u>2,236,182</u>
Total Property Tax	10,781,251	10,717,767
Manufacturing and Other Taxes	<u>713,110</u>	<u>798,430</u>
Total	<u>\$ 11,494,361</u>	<u>\$ 11,516,197</u>

NOTE 9 UNRESTRICTED NET POSITION

The components of unrestricted net position at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Appropriated for Grants, Partnerships, and Initiatives	\$ 11,393,000	\$ 11,041,830
Investment in Mental Health Supported Housing Loans	1,468,158	1,126,547
Designated for Unanticipated Projects	100,000	100,000
Designated for Administration	1,550,000	2,077,298
Designated for Contingencies	851,000	854,520
Designated for Long-Term Reserve	3,770,000	3,784,304
Unreserved, Undesignated	<u>1,919,893</u>	<u>2,649,337</u>
Total Unrestricted Net Position	<u>\$ 21,052,051</u>	<u>\$ 21,633,836</u>

NOTE 10 TAX ABATEMENTS

Tax abatements, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 77, Tax Abatement Disclosures ("GASB 77"), are agreements between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

Since MHB does not and has not entered into tax abatement agreements directly with any individuals or entities, the following estimates are from tax abatements entered into by other governments, specifically the City of St. Louis, that has reduced MHB's tax revenues.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 10 TAX ABATEMENTS (CONTINUED)

Tax Abatements Entered Into By St. Louis City

MHB's property tax revenues were reduced through the following programs that are utilized by the City of St. Louis. Summaries of those programs are as follows:

Chapter 353 – Residential and Chapter 353 – Commercial: provides tax abatement incentive to improve blighted property, under State Statute Section 353.010-353.190 RSMo, determined by the governing body in the area that is blighted. The Municipality must hold a public hearing and adopt an ordinance approving the Development Plan and may approve the Development Agreement. The property must be transferred to an Urban Redevelopment Corporation for a moment in time. The tax is calculated based on Land assessments based on the year prior to the Urban Redevelopment Corporation transfer.

Chapter 353 – Residential PILOT and Chapter 353 – Commercial PILOT: provides tax abatement incentive to improve blighted property, under State Statute Section 353.010-353.190 RSMo, determined by the governing body in the area that is blighted. The Municipality must hold a public hearing and adopt an ordinance approving the Development Plan and may approve the Development Agreement. The property must be transferred to an Urban Redevelopment Corporation for a moment in time. The amount abated is determined by the amount of Chapter 353 payments in lieu of taxes (PILOTs) established by city ordinance.

Chapter 99 – Residential and Chapter 99 – Commercial: provides tax abatement incentive to improve blighted property and possibly assist in property acquisition and issuance of bonds, under State Statute Sections 99.700 to 99.715 RSMo or Sections 353.010 to 353.190 RSMo; City Ordinance 45977 approved on February 18, 1952. Establishment of a Land Clearance for Redevelopment Authority (LCRA) is required. The abatement is determined by the governing board of the area that is blighted. The LCRA adopts a redevelopment plan and the Municipality must hold public hearing and adopt an ordinance approving the redevelopment plan. Abatement goes into effect through either title transfer or affidavit. The tax is calculated based on assessment of land at predeveloped level.

Enhanced Enterprise Zone Tax Incentives: provides tax credits and/or real estate tax abatement to new or expanding businesses in the Enhanced Enterprise Zone, under State Statute Sections 135.950 to 135.973, RSMo and City Ordinance 67350 approved on December 11, 2006. An Enhanced Enterprise Zone Board (EEZB) is established by the governing body, the EEZB then recommends a project to the governing body. The governing body then adopts a resolution authorizing the project/abatement. The EEZB enters into a redevelopment agreement with the redeveloper. The City authorizing resolution shall specify the percent of the exemption to be granted, the duration of the exemption to be granted, and the political subdivisions to which such exemption is to apply and any other terms, conditions or stipulations otherwise required.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 10 TAX ABATEMENTS (CONTINUED)

Tax Abatements Entered Into By St. Louis City (Continued)

Planned Industrial Expansion (PIE): provides tax abatement incentive to improve blighted property and possibly assist in property acquisition and issuance of bonds, under State Statute Sections 353.010 to 353.190 RSMo; City Ordinance 54788 approved on December 11, 1967. Establishment of a Land Clearance for Redevelopment Authority (LCRA) is required. The abatement is determined by the governing board of the area that is blighted. The LCRA adopts a redevelopment plan and the Municipality must hold public hearing and adopt an ordinance approving the redevelopment plan. Abatement goes into effect through either title transfer or affidavit. The tax is calculated based on Land assessments based on the year prior to the transfer.

Chapter 100 – Industrial Revenue Bonds/Merchants & Manufacturer’s Tax Credit: provides tax abatement incentive to provide economic development benefits to municipality for Personal and/or Real Property taxes, under State Statute Sections 100.010 to 100.200 RSMo. Abatements are obtained through preparation and approval of an Industrial Development Plan by the governing body of the municipality. The tax is abated by transferring the title of the real or personal property to be abated to the tax-exempt governmental body.

The amount of MHB’s tax revenues calculated at MHF’s tax rate of \$.09 per \$100 and CCSF’s tax rate of \$.19 per \$100 of assessed value that were abated by St. Louis City are reported in the following table for the year ended June 30, 2017.

	Gross Dollar Of Reduced Tax Revenues	MHB Reduced Tax Revenues
Chapter 353 - Residential	\$ 954,000	\$ 32,000
Chapter 353 - Residential PILOT	88,000	3,000
Chapter 99 - Residential	1,634,000	55,000
Enhanced Enterprise Zone Tax Incentives	1,859,000	62,000
Chapter 353 - Commercial	4,873,000	162,000
Planned Industrial Expansion (PIE)	152,000	5,000
Chapter 353 - Commercial PILOT	129,000	4,000
Chapter 99 - Commercial	6,159,000	206,000
Chapter 100 - Industrial Revenue Bonds/Merchants and Manufacturer's Tax Credit	995,000	40,000
	<u>\$ 16,843,000</u>	<u>\$ 569,000</u>

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
SCHEDULES OF SELECTED PENSION INFORMATION –
EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS
JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)**

Schedule of the Trustees' Proportionate Share of the Net Pension Liability

	2016	September 30, 2015	2014
MHB's Proportion Percentage of the Net Pension Liability	0.2810 %	0.2649 %	0.0240 %
MHB's Proportionate Share of the Net Pension Liability	\$ 587,960	\$ 601,622	\$ 370,851
MHB's Covered Payroll	\$ 670,441	\$ 661,377	\$ 583,862
MHB's Proportionate Share of the Net Pension Liability as a Percentage of MHB's Covered Payroll	87.7 %	91.0 %	64.0 %
Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	78.5 %	76.2 %	83.5 %

Schedule of the Trustees' Contributions

	2017	June 30, 2016	2015
Required Contribution	\$ 85,938	\$ 88,585	\$ 93,124
Contribution in Relation to the Required Contribution	\$ 85,938	\$ 88,585	\$ 93,124
Contribution Deficiency	-	-	-
MHB's Covered Payroll	\$ 696,683	\$ 660,774	\$ 655,180
Contributions as a Percentage of Covered Payroll	12.34 %	13.41 %	14.21 %

Note: Above schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of Benefit Terms or Assumptions

There were no changes to benefit terms in the Plan or changes to assumptions in valuation reports for the years ended September 30, 2016 and 2015.

**CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES
SCHEDULES OF GRANTS, PARTNERSHIPS,
AND INITIATIVES TO ORGANIZATIONS
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

22nd Judicial Court of Missouri, Family Court-Juvenile Division	\$ 354,325
Aim High St. Louis	128,832
Annie Malone Children and Family Center	48,200
Area Resources for Community and Human Services (ARCHS)	672,123
Behavioral Health Response, Inc.	250,000
Big Brothers Big Sisters of Eastern Missouri	197,925
Bilingual International Assistant Services	582,428
Children's Advocacy Services of Greater St. Louis	507,131
City of St. Louis Department of Human Services	258,021
Covenant House of Missouri	372,440
Doorways	4,570
Employment Connection	303,506
Epworth Children & Family Services, Inc.	208,850
Family Care Health Centers	524,151
FamilyForward	421,296
Fathers' Support Center, St. Louis	235,617
Foster and Adoptive Care Coalition	287,951
Gateway Center for Giving - Funders Learning & Evaluation Group	500
Generate Health STL	500,000
Great Circle	164,422
Greater St. Louis Community Foundation-Shut It Down Initiative	10,000
Independence Center	204,644
International Institute of St. Louis	118,994
Kids In The Middle	240,122
Legal Services of Eastern Missouri	270,749
Lutheran Family and Children's Services of Missouri	133,852
Marian Middle School	92,620
Mercy Health Foundation	63,095
MERS/Missouri Goodwill Industries	48,000
Missouri Department of Mental Health	150,000
Myrtle Hilliard Davis Comprehensive Health Centers	87,308
Northside Youth And Senior Service Center, Inc.	187,771
Nurses for Newborns	117,000
Our Little Haven	261,905
Places for People, Inc.	721,899
Preferred Family Healthcare, Inc.	331,445
Queen of Peace Center	332,020
Safe Connections	260,924
Saint Louis University	200,000
Saints Teresa and Bridget Church	38,223
St. Francis Community Services	82,161
St. Louis Integrated Health Network	4,000
St. Louis Internship Program	152,250
St. Louis Public Schools Foundation	25,000
St. Louis Regional Health Commission	5,000
United 4 Children	487,738
United Way of Greater St. Louis, Inc.	50,000
University of Missouri - St. Louis, Community Psychological Services	60,347
Vision for Children at Risk	15,600
Voices for Children	282,139
Washington University - The SPOT	235,648
Youth Mini-Grants	882
Total	\$ 11,293,624