

# Contents

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<b>Independent Auditors' Report</b>	<b><u>Page</u></b> 1 - 2
<b>Required Supplementary Information</b>	
Management's Discussion and Analysis (Unaudited)	3 - 7
<b>Financial Statements</b>	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11 - 21





City of St. Louis Mental Health Board of Trustees  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
For The Years Ended June 30, 2015 and 2014

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, 2015 and 2014. Please read it in conjunction with the financial statements that follow this section.

### **FINANCIAL HIGHLIGHTS**

- MHB's net position as of June 30, 2015, decreased by \$1.17 million or 5.0% compared to June 30, 2014 due to planned reductions of reserves and a cumulative increase in certain pension obligations as the result of the adoption of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* (the "GASB Statements").
- MHB's 2015 tax revenues were less than budgeted by \$0.14 million or 1.3% primarily due to lower than expected property tax revenues collections.
- MHB's 2015 expenses were less than budgeted by \$0.50 million or 3.6% primarily due to lower than anticipated funding of certain agency contracts.
- MHB's implementation of the GASB Statements during fiscal year 2015 required Beginning Net Position to be restated in the June 30, 2015 financial statements to record the net pension liability, deferred outflows and deferred inflows.
- Capital assets of \$43,000 were added in conjunction with the implementation of a new project management system.

### **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 statement of net position; the statement of revenues, expenses, and changes in net position; and the statement 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 implementation of the GASB Statements required MHB to restate net position as of July 1, 2014, to reflect its share of the net pension liability from participation in the Employees' Retirement System of the City of St. Louis (the "Pension Plan"). The FY 2014 information included in this MD&A is presented without adjustment for the impact of the GASB Statements. The information needed to restate MHB's net position as of July 1, 2013, is not available.

City of St. Louis Mental Health Board of Trustees  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
For The Years Ended June 30, 2015 and 2014

**THE STATEMENT OF NET POSITION AND THE STATEMENT 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.

**STATEMENTS OF NET POSITION**

The following tables reflect the condensed statements of net position as of June 30, 2015 and 2014:

**Condensed Statements of Net Position**  
(In thousands of dollars)

	FY 2015 (Post GASB Statements)	FY 2014** (Pre-GASB Statements)	Dollar Change	Total Percent Change
Current assets	\$ 11,273	\$ 11,188	\$ 85	0.8 %
Noncurrent assets	11,832	12,367	(535)	(4.3)%
Total Assets	<u>23,105</u>	<u>23,555</u>	<u>(450)</u>	<u>(1.9)%</u>
Deferred Outflows of Resources	<u>120</u>	<u>-</u>	<u>120</u>	<u>100 %</u>
Total Assets and Deferred Outflows	<u>\$ 23,225</u>	<u>\$ 23,555</u>	<u>\$ (330)</u>	<u>(1.4)%</u>
Current liabilities	\$ 596	\$ 159	\$ 437	274.8 %
Noncurrent liabilities	<u>371</u>	<u>-</u>	<u>371</u>	<u>100 %</u>
Total Liabilities	<u>967</u>	<u>159</u>	<u>808</u>	<u>508.2 %</u>
Deferred Inflows of Resources	<u>29</u>	<u>-</u>	<u>29</u>	<u>100 %</u>
Net Position				
Investment in capital assets	39	2	37	1,850.0 %
Unrestricted	<u>22,190</u>	<u>23,394</u>	<u>(1,204)</u>	<u>(5.1)%</u>
Total Net Position	<u>22,229</u>	<u>23,396</u>	<u>(1,167)</u>	<u>(5.0)%</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 23,225</u>	<u>\$ 23,555</u>	<u>\$ (330)</u>	<u>1.4 %</u>

\*\*2014 balances are prior to the effect of GASB 68 & 71 adoption required in 2015

City of St. Louis Mental Health Board of Trustees  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
For The Years Ended June 30, 2015 and 2014

Unrestricted net position (the part of net position that can be used to finance project services and administrative operations) decreased by \$1.2 million to \$22.2 million.

The components of unrestricted net position at June 30, 2015 and 2014, are as follows:

	<b>(In thousands of dollars)</b>	
	<b>FY 2015</b>	<b>FY 2014</b>
	<b>(Post GASB</b>	<b>(Pre-GASB</b>
	<b>Statements)</b>	<b>Statements)</b>
Appropriated for grants, partnerships, and initiatives	\$ 11,467	\$ 11,375
Investment in mental health supported housing loans	1,048	888
Designated for unanticipated projects	100	100
Designated for administration	1,860	1,268
Designated for contingencies	872	841
Designated for long-term reserve	3,861	3,725
Unreserved, undesignated	<u>2,982</u>	<u>5,197</u>
Total Unrestricted Net Position	<u>\$ 22,190</u>	<u>\$ 23,394</u>

A review of the 2015 statement of net position reveals the following:

Total assets of MHB are \$23.1 million. This includes cash and cash equivalents of \$6.0 million and investments of \$15.8 million.

Deferred outflows of MHB are \$0.1 million. This includes the changes in MHB's pension allocation percentage between periods and pension contributions subsequent to the measurement date.

Total liabilities of MHB are \$1.0 million. This includes current liabilities of \$0.6 million. MHB's net pension liability, which is MHB's proportional share of the total pension liability, is \$0.4 million.

The most significant liability is grants payable which total \$0.5 million.

Total deferred inflows of MHB are \$0.03 million, which consist of the differences between actual and expected earnings and experience in the pension fund.

Total net position of MHB is \$22.2 million. This consists mostly of unrestricted net position.

City of St. Louis Mental Health Board of Trustees  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
 For The Years Ended June 30, 2015 and 2014

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

**OPERATING REVENUES AND EXPENSES**

The following table reflects the revenues and expenses resulting from MHB's activities for the years ended June 30, 2015 and 2014:

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

	<b>FY2015 (Post GASB Statements)</b>	<b>FY 2014 (Pre-GASB Statements)</b>	<b>Dollar Change</b>	<b>Total Percent Change</b>
Operating Revenues	\$ 12,442	\$ 12,271	\$ 171	1.4 %
Operating Expenses	<u>13,304</u>	<u>12,753</u>	<u>551</u>	<u>4.3 %</u>
Deficit of Operating Revenues Over Expenses	(862)	(482)	(380)	78.8 %
Beginning Net Position (as restated in 2015 by \$305)	<u>23,091</u>	<u>23,878</u>	<u>(787)</u>	<u>(3.3)%</u>
Ending Net Position	<u>\$ 22,229</u>	<u>\$ 23,396</u>	<u>\$ (1,167)</u>	<u>(5.0)%</u>

A review of the 2015 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 \$10.7 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 2016 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.

City of St. Louis Mental Health Board of Trustees  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
For The Years Ended June 30, 2015 and 2014

**BUDGET INFORMATION**

Total revenues are expected to increase by \$0.3 million in 2016 primarily as a result of an anticipated increase in tax revenues and additional federal funding.

Total expenses are expected to increase by \$0.9 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

City of St. Louis Mental Health Board of Trustees  
**STATEMENT OF NET POSITION**  
June 30, 2015

**ASSETS AND DEFERRED OUTFLOWS**

<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 5,993,950
Investments	4,927,057
Receivables	
Grants receivable	60,801
Taxes receivable	100,561
Mental health supported housing loans receivable	136,888
Prepaid expenses and other current assets	<u>53,359</u>
Total Current Assets	<u>11,272,616</u>
<b>NONCURRENT ASSETS</b>	
Investments	10,825,623
Mental health supported housing loans receivable	911,549
Other assets	55,957
Capital assets, net	<u>39,210</u>
Total Noncurrent Assets	<u>11,832,339</u>
Total Assets	<u>23,104,955</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension contributions	<u>120,469</u>
Total Assets and Deferred Outflows	<u>\$ 23,225,424</u>

**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 21,034
Accrued liabilities	62,714
Grants payable	<u>512,291</u>
Total Current Liabilities	596,039
<b>NONCURRENT LIABILITIES</b>	
Net pension liability	<u>370,851</u>
Total Liabilities	<u>966,890</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension investment return and plan experience	<u>29,193</u>
<b>NET POSITION</b>	
Investment in capital assets	39,210
Unrestricted	<u>22,190,131</u>
Total Net Position	<u>22,229,341</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 23,225,424</u>

City of St. Louis Mental Health Board of Trustees  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Year Ended June 30, 2015

Operating Revenues:	
Property taxes	\$ 10,680,722
Manufacturing, institutional, and other taxes	757,312
Operating grants	865,227
Investment return, net of fees	128,811
Miscellaneous income	<u>10,000</u>
Total Operating Revenues	<u>12,442,072</u>
Operating Expenses:	
Grants, partnerships, and initiatives	11,738,679
Forgiveness of mental health supported housing loans	109,819
Direct project expenses	941,128
Administration	<u>514,247</u>
Total Operating Expenses	<u>13,303,873</u>
Deficit of Operating Revenues Over Expenses	(861,801)
Net Position, Beginning of year (as restated)	<u>23,091,142</u>
Net Position, End of year	<u>\$ 22,229,341</u>

City of St. Louis Mental Health Board of Trustees  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2015

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from property and other taxes	\$ 11,430,209
Interest and dividends received, net of fees paid	179,809
Proceeds from other support	1,059,451
Cash paid for projects	(11,872,216)
Cash paid for salaries and employee benefits	(855,545)
Cash paid for other operating activities	<u>(335,076)</u>
Net Cash Used In Operating Activities	<u>(393,368)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of investments	(5,450,905)
Sales of investments	5,137,000
Purchases of capital assets	<u>(43,000)</u>
Net Cash Used In Investing Activities	<u>(356,905)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(750,273)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>6,744,223</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 5,993,950</u>
 <b>RECONCILIATION OF DEFICIT OF OPERATING REVENUES OVER EXPENSES TO NET CASH USED IN OPERATING ACTIVITIES:</b>	
Deficit of operating revenues over expenses	\$ (861,801)
Adjustments to reconcile deficit of operating revenues over expenses to net cash used in operating activities:	
Depreciation	5,685
Forgiveness of mental health supported housing loans	109,819
Amortization of premium	63,321
Change in assets and liabilities:	
Decrease in grants receivable	184,224
Increase in taxes receivable	(7,825)
Increase in mental health supported housing loans receivable	(270,712)
Increase in prepaid expenses and other current assets	(27,612)
Increase in deferred outflows	(25,400)
Increase in accounts payable and accrued liabilities	18,279
Increase in grants payable	<u>418,654</u>
Net Cash Used In Operating Activities	<u>\$ (393,368)</u>

City of St. Louis Mental Health Board of Trustees  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**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."

**Use of 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, 2015

**Appropriations**

MHB appropriates funds for specific projects and programs to be expended for the following year's program service funding period July 1, 2015 to June 30, 2016. These funds are to be distributed to various agencies which then provide programs and services to eligible individuals in the City.

**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 \$100,561 at June 30, 2015.

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 statement of revenues, expenses, and changes in net position.

City of St. Louis Mental Health Board of Trustees  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**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 2016 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 2016 which have not yet been appropriated for specific agencies/projects.

Designated for Administration - Funds designated for administration of projects in fiscal year 2016.

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, 2015

**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 statement 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 net 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.

**Subsequent Events**

Subsequent events were evaluated through November 19, 2015, 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 February 2015, the GASB issued Statement No. 72 *Fair Value Measurement and Application*. This statement addresses the accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. MHB is required to implement this statement for the year ended June 30, 2016. MHB is currently evaluating the impact, if any, the new guidance will have on its financial statements.

City of St. Louis Mental Health Board of Trustees  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2015

**B. CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended June 30, 2015, MHB adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (the "GASB Statements"). The major changes associated with the GASB Statements required MHB to record its proportional share of the net pension liability from participation in the City's pension plan. It also established certain deferred outflows and inflows of resources related to pension plan activity (Note G).

Net position as of July 1, 2014, has been restated as follows for the implementation of the GASB Statements:

Net Position as previously reported at June 30, 2014:	\$ 23,396,115
Prior period adjustment:	
Net pension liability (measurement date as of September 1, 2013)	(372,663)
Deferred outflows:	
MHB's contributions made subsequent to measurement date	<u>67,690</u>
Total prior period adjustment	<u>(304,973)</u>
Net Position as restated, July 1, 2014	<u>\$ 23,091,142</u>

**C. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents and investments at June 30, 2015, consisted of the following:

	Cost	Fair Value
Cash deposits	\$ 5,895,517	\$ 5,895,517
Money market accounts	98,433	98,433
Agency securities	1,867,934	1,867,590
Certificates of deposit	<u>13,826,247</u>	<u>13,885,090</u>
Total Cash and Cash Equivalents and Investments	<u>\$21,688,131</u>	<u>\$21,746,630</u>

Included in the accompanying statement of net position as:

Cash and cash equivalents	\$ 5,993,950
Investments - current	4,927,057
Investments - noncurrent	<u>10,825,623</u>
Total Cash and Cash Equivalents and Investments	<u>\$21,746,630</u>

Maturities of debt securities at June 30, 2015 are as follows:

	Cost	Fair Value
One year or less	\$ 4,927,057	\$ 4,927,057
After one through five years	<u>10,767,124</u>	<u>10,825,623</u>
	<u>\$15,694,181</u>	<u>\$15,752,680</u>

City of St. Louis Mental Health Board of Trustees  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2015

*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, 2015, are as follows:

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Unrated</u>
Agency securities	\$1,867,590	\$ -	\$ -	\$ -	\$ -
Certificates of deposit	-	-	-	-	<u>13,885,090</u>
Total Debt Securities	<u>\$1,867,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$13,885,090</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 percent 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 year ended June 30, 2015, is as follows:

Interest and dividend income, net of fees	\$ 192,132
Amortization of premium	<u>(63,321)</u>
Total Investment Return, net of fees	<u>\$ 128,811</u>

Investment fees for the year ended June 30, 2015 totaled \$15,821.

City of St. Louis Mental Health Board of Trustees  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2015

**D. 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 2015, loans made to the Agencies amounted to \$270,712. 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, 2015 totaled \$1,048,437.

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 August 2024.

During 2015, \$109,819 was forgiven on mental health supported housing loans receivable consisting of \$80,063 principal and \$29,756 interest.

**E. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, is as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Furniture and equipment	\$ 48,124	\$ -	\$ -	\$ 48,124
Software	-	43,000	-	43,000
Less accumulated depreciation	<u>(46,229)</u>	<u>(5,685)</u>	-	<u>(51,914)</u>
Total Capital Assets, Net	<u>\$ 1,895</u>	<u>\$ 37,315</u>	<u>\$ -</u>	<u>\$ 39,210</u>

Depreciation expense totaled \$5,685 for the year ended June 30, 2015.

**F. COMMITMENTS AND CONTINGENCIES**

MHB is committed under a lease agreement for its office facilities through February 2018. Lease expense totaled \$62,198 for the year ended June 30, 2015.

Future minimum lease payments as of June 30, 2015, are as follows:

<u>Years Ending June 30,</u>	
2016	\$ 64,358
2017	66,266
2018	67,397
2019	<u>5,616</u>
	<u>\$ 203,637</u>

City of St. Louis Mental Health Board of Trustees  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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 \$11,467,000 to fund programs and service contracts with various organizations for fiscal 2016. The Board of Trustees of MHB approved the commitments during fiscal 2015 board meetings. The payments to the organizations are contingent on the services being performed.

**G. 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 non-uniformed 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.

**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 rate for the year ended June 30, 2015, was 14.51% of covered payroll or \$84,718. 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 year ended June 30, 2015 were \$72,561.

City of St. Louis Mental Health Board of Trustees  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2015

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

At June 30, 2015, MHB reported a liability of \$370,851 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2014, MHB's proportion was 0.2399% which was an increase of 0.0352% from its proportion measured as of September 30, 2013.

For the year ended June 30, 2015, MHB recognized pension expense of \$67,726. At June 30, 2015, 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	\$ -	\$ 6,594
Net difference between projected and actual earnings on pension plan investments	-	22,599
Changes in proportion	47,908	-
MHB contributions subsequent to the measurement date	<u>72,561</u>	<u>-</u>
	<u>\$ 120,469</u>	<u>\$ 29,193</u>

The \$72,561 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Years ending June 30,</u>	
2016	\$ 8,122
2017	8,122
2018	8,122
2019	<u>(5,651)</u>
	<u>\$ 18,715</u>

City of St. Louis Mental Health Board of Trustees  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2015

**Actuarial Assumptions**

The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	October 1, 2013
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation at the beginning of the year.
Actuarial Cost Method	Projected Unit Credit Cost Method
Asset Valuation Method	5 year smoothing
Amortization Method	Rolling 30-year level dollar amortization of unfunded liability
Discount Rate	8.00%
Inflation	3.125%
Salary Increases	3.50% plus merit component based on employee's years of service
Mortality	1994 Group Annuity Mortality Table

**Discount Rate**

The discount rate used to measure the total pension liability was 8.09%. 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.

**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 calculated using an assumed long-term expected rate of return of 8.09%, which is the valuation assumed rate of 8.00% increased by 0.09% reflecting administrative expenses, 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:

	1% Decrease 7.09%	Discount Rate 8.09%	1% Increase 9.09%
MHB's proportionate share of net pension liability	<u>\$ 595,319</u>	<u>\$ 370,851</u>	<u>\$ 178,848</u>

City of St. Louis Mental Health Board of Trustees  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2015

**MHB's Proportionate Share of Net Pension Liability and Covered Payroll**

The following presents MHB's proportionate share of the net pension liability, covered payroll, and required ratios:

MHB's proportion percentage of the collective net pension liability	0.2399 %
MHB's proportionate share of the collective net pension liability	\$ 370,851
MHB's covered employee payroll	\$ 583,862
MHB's proportionate share of the collective net pension liability as a percentage of MHB's covered employee payroll	64.0 %
The Plan's fiduciary net position as a percentage of total pension liability	83.5 %

**H. 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.

Tax levy rates of \$0.09 and \$0.19, respectively for MHF and CCSF were established for fiscal year 2015. 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 revenue for the year ended June 30, 2015 were as follows:

Real estate tax	\$ 8,447,728
Personal property tax	<u>2,232,994</u>
Total property tax	10,680,722
Manufacturing and other taxes	735,088
Institutional tax	<u>22,224</u>
	<u><u>\$ 11,438,034</u></u>

**I. UNRESTRICTED NET POSITION**

The components of unrestricted net position at June 30, 2015 are as follows:

Appropriated for grants, partnerships, and initiatives	\$ 11,466,500
Investment in mental health supported housing loans	1,048,437
Designated for unanticipated projects	100,000
Designated for administration	1,860,200
Designated for contingencies	871,824
Designated for long-term reserve	3,860,936
Unreserved, undesignated	<u>2,982,234</u>
Total Unrestricted Net Position	<u><u>\$ 22,190,131</u></u>



City of St. Louis Mental Health Board of Trustees  
**SCHEDULE OF GRANTS, PARTNERSHIPS, AND INITIATIVES EXPENSES**  
For The Year Ended June 30, 2015

22nd Judicial Court of Missouri, Family Court-Juvenile Division	\$ 371,068
Amanda Lockett Murphy Hopewell Center	100,000
Area Resources for Community and Human Services	711,200
Bi-Lingual International Assistant Services	164,995
Big Brothers Big Sisters of Eastern Missouri	228,600
Bridgeway Behavioral Health	243,874
Center for Survivors of Torture and War Trauma	166,372
Children's Advocacy Services of Greater St. Louis	505,603
Children's Home Society of Missouri	106,396
City of St. Louis Department of Human Services	249,264
College Bound	53,089
Covenant House of Missouri	370,965
Department of Mental Health	12,500
EducationPlus Resources	35,429
Employment Connection	206,200
Epworth Children & Family Services	348,098
Family Care Health Centers	291,816
Family Resource Center	160,681
Father's Support Center, St. Louis	323,508
Foster and Adoptive Care Coalition	286,706
Great Circle	159,778
Independence Center	197,667
International Institute of St. Louis	47,629
Kids in the Middle	215,911
Legal Services of Eastern Missouri	223,654
Lutheran Family and Children's Services of Missouri	130,140
Marian Middle School	99,283
Maternal, Child and Family Health Coalition	431,680
Missouri Department of Mental Health	350,000
Missouri Institute of Mental Health	98,856
National Alliance on Mental Illness	10,568
Neighborhood Houses	87,599
North Grand Neighborhood Services	53,794
Northside Youth and Senior Service Center, Inc.	399,394
One Hope United	93,007
Our Little Haven	252,982
Places for People, Inc.	1,493,866
Preferred Family Healthcare	195,359
Queen of Peace Center	118,072
Redevelopment Opportunities for Women	58,868
Safe Connections	248,925
Saint Louis Crisis Nursery	103,123
Saints Teresa and Bridget Church	28,354
SouthSide Early Childhood Center	102,596
St. Louis Art Works	137,681
St. Louis Internship Program	135,468
The SPOT	281,585
United 4 Children	458,256
United Way of Greater St. Louis, Inc.	200,000
Vision for Children At-Risk	31,623
Voices for Children	209,060
Washington University	57,435
Wesley House Association	75,975
Others	14,127
	<u>\$ 11,738,679</u>