

CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES

**FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
ADDITIONAL SUPPLEMENTARY INFORMATION,
UNIFORM GUIDANCE REPORTS AND SCHEDULES
AND INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED
JUNE 30, 2016 AND 2015**

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Independent Auditors' Report

To the 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 (Mental Health Board) which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Mental Health Board's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mental Health Board, as of June 30, 2016 and 2015, and the respective changes in net position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Mental Health Board's financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

Additional Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016, on our consideration of the Mental Health Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mental Health Board's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Schmeissall Tuller & Co., PC".

St. Louis, Missouri
November 17, 2016

City of St. Louis Mental Health Board of Trustees
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Years Ended June 30, 2016 and 2015

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, 2016 and 2015. Please read it in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- MHB's net position as of June 30, 2016, decreased by \$0.56 million due to planned reductions in reserves.
- MHB's 2016 tax revenues were more than budgeted by \$0.059 million or .5%, due to better than expected collections.
- MHB's 2016 expenses were less than budgeted by \$1.0 million or 7.1% primarily due to lower than anticipated funding of certain agency contracts and federal expenditures.
- MHB's implementation during fiscal year 2016 of GASB Statement No. 72 *Fair Value Measurement and Application* required measurement at fair value and related disclosures in the financial statements about certain investments, as defined in the new standard.

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)
For The Years Ended June 30, 2016 and 2015

STATEMENTS OF NET POSITION

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

Condensed Statements of Net Position
(In thousands of dollars)

	FY 2016	FY 2015	Dollar Change	Total Percent Change
Current assets	\$ 13,289	\$ 11,273	\$ 2,016	17.9 %
Noncurrent assets	<u>9,182</u>	<u>11,832</u>	<u>(2,650)</u>	<u>(22.4)%</u>
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	<u>\$ 22,771</u>	<u>\$ 23,225</u>	<u>\$ (454)</u>	<u>(2.0)%</u>
Current liabilities	\$ 482	\$ 596	\$ (114)	(19.1)%
Noncurrent liabilities	<u>601</u>	<u>371</u>	<u>230</u>	<u>62.0 %</u>
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>(22.4)%</u>
Total Net Position	<u>21,669</u>	<u>22,229</u>	<u>(560)</u>	<u>(2.5)%</u>
Total Liabilities, Deferred Inflows 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.

City of St. Louis Mental Health Board of Trustees
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Years Ended June 30, 2016 and 2015

The components of unrestricted net position at June 30, 2016 and 2015, are as follows:

	(In thousands of dollars)	
	FY 2016	FY 2015
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
Designated for administration	2,077	1,860
Designated for contingencies	855	872
Designated for long-term reserve	3,784	3,861
Unreserved, undesignated	2,649	2,982
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 total \$0.3 million.

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OPERATING REVENUES AND EXPENSES

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

City of St. Louis Mental Health Board of Trustees
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Years Ended June 30, 2016 and 2015

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)

	FY 2016	FY 2015	Dollar Change	Total Percent Change
Operating Revenues	\$ 12,641	\$ 12,442	\$ 199	1.6 %
Operating Expenses	<u>13,201</u>	<u>13,304</u>	<u>(103)</u>	<u>(0.8)%</u>
Excess (Deficit) of Operating Revenues Over Expenses	(560)	(862)	302	35.0 %
Beginning Net Position	<u>22,229</u>	<u>23,091</u>	<u>(862)</u>	<u>(3.7)%</u>
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 are 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 2017 budget. Factors include the approved property tax rates and the economy. Property tax rates for the upcoming budget year are 9 cents and 19 cents per \$100 assessed valuation for the Mental Health Fund and the Community Children's Services Fund, respectively.

BUDGET INFORMATION

Total revenues are expected to increase by \$0.8 million in 2017 primarily as a result of an anticipated increase in tax revenues and additional federal funding.

Total expenses are expected to increase by \$1.0 million primarily due to expenditures related to federal contracts.

City of St. Louis Mental Health Board of Trustees
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Years Ended June 30, 2016 and 2015

FINANCIAL CONTACT

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

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

FINANCIAL STATEMENTS

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

ASSETS AND DEFERRED OUTFLOWS

	June 30,	
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,673,543	\$ 5,993,950
Investments	7,149,963	4,927,057
Receivables		
Grants receivable	155,476	60,801
Taxes receivable	86,606	100,561
Mental health supported housing loans receivable	158,389	136,888
Prepaid expenses and other current assets	64,614	53,359
Total Current Assets	<u>13,288,591</u>	<u>11,272,616</u>
NONCURRENT ASSETS		
Investments	8,137,644	10,825,623
Mental health supported housing loans receivable	968,158	911,549
Other assets	41,081	55,957
Capital assets, net	35,254	39,210
Total Noncurrent Assets	<u>9,182,137</u>	<u>11,832,339</u>
Total Assets	<u>22,470,728</u>	<u>23,104,955</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension contributions	<u>300,329</u>	<u>120,469</u>
Total Assets and Deferred Outflows	<u>\$ 22,771,057</u>	<u>\$ 23,225,424</u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 19,631	\$ 21,034
Accrued liabilities	127,198	62,714
Grants payable	334,873	512,291
Total Current Liabilities	<u>481,702</u>	<u>596,039</u>
NONCURRENT LIABILITIES		
Net pension liability	<u>601,622</u>	<u>370,851</u>
Total Liabilities	<u>1,083,324</u>	<u>966,890</u>
DEFERRED INFLOWS OF RESOURCES		
Pension investment return and plan experience	<u>18,643</u>	<u>29,193</u>
NET POSITION		
Investment in capital assets	35,254	39,210
Unrestricted	21,633,836	22,190,131
Total Net Position	<u>21,669,090</u>	<u>22,229,341</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 22,771,057</u>	<u>\$ 23,225,424</u>

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

	For The Years Ended June 30,	
	2016	2015
Operating Revenues:		
Property taxes	\$ 10,717,767	\$ 10,680,722
Manufacturing, institutional, and other taxes	798,430	757,312
Operating grants	913,587	865,227
Investment return, net of fees	178,614	128,811
Miscellaneous income	32,797	10,000
Total Operating Revenues	<u>12,641,195</u>	<u>12,442,072</u>
Operating Expenses:		
Grants, partnerships, and initiatives	11,432,923	11,738,679
Forgiveness of mental health supported housing loans	136,888	109,819
Direct project expenses	946,909	941,128
Administration	684,726	514,247
Total Operating Expenses	<u>13,201,446</u>	<u>13,303,873</u>
Deficit of Operating Revenues Over Expenses	(560,251)	(861,801)
Net Position, Beginning of year	<u>22,229,341</u>	<u>23,091,142</u>
Net Position, End of year	<u>\$ 21,669,090</u>	<u>\$ 22,229,341</u>

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

	For The Years Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from property and other taxes	\$ 11,530,152	\$ 11,430,209
Interest and dividends received	232,594	179,809
Proceeds from other support	851,709	1,059,451
Cash paid for projects	(12,164,960)	(11,872,216)
Cash paid for salaries and employee benefits	(868,348)	(855,545)
Cash paid for other operating activities	(311,315)	(335,076)
Net Cash Used In Operating Activities	<u>(730,168)</u>	<u>(393,368)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(7,358,823)	(5,450,905)
Sales of investments	7,774,207	5,137,000
Purchases of capital assets	(5,623)	(43,000)
Net Cash Provided by (Used In) Investing Activities	<u>409,761</u>	<u>(356,905)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(320,407)</u>	<u>(750,273)</u>
CASH AND CASH EQUIVALENTS, Beginning of year	<u>5,993,950</u>	<u>6,744,223</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 5,673,543</u></u>	<u><u>\$ 5,993,950</u></u>
RECONCILIATION OF DEFICIT OF OPERATING REVENUES OVER EXPENSES TO NET CASH USED IN OPERATING ACTIVITIES:		
Deficit of revenues over expenses	\$ (560,251)	\$ (861,801)
Adjustments to reconcile deficit of revenues over expenses to net cash used in operating activities:		
Depreciation	9,579	5,685
Forgiveness of mental health supported housing loans	136,888	109,819
Amortization of premium	49,693	63,321
Change in assets and liabilities:		
(Increase) decrease in grants receivable	(94,675)	184,224
(Increase) decrease in taxes receivable	13,955	(7,825)
Increase in mental health supported housing loans receivable	(215,000)	(270,712)
(Increase) decrease in prepaid expenses and other assets	3,619	(27,612)
Increase in deferred outflows	(179,860)	(25,400)
Increase in accounts payable and accrued liabilities	63,081	18,279
Increase (decrease) in grants payable	(177,418)	418,654
Decrease in deferred inflows	(10,550)	-
Increase in net pension liability	230,771	-
Net Cash Used In Operating Activities	<u><u>\$ (730,168)</u></u>	<u><u>\$ (393,368)</u></u>

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 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."

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, 2016 and 2015

Appropriations

MHB appropriates funds for specific projects and programs to be expended for the following year's program service funding period July 1, 2016 to June 30, 2017. These funds are to be distributed to various agencies which then provide programs and services to eligible persons of the City of St. Louis.

Compensated Absences

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

Property Tax Collections and Expenses

MHB's principal source of revenue is property taxes levied and collected by the City on MHB's behalf. Taxes collected in one month are often distributed to MHB in the subsequent month. Consequently, property taxes are recognized as revenue only to the extent they have been collected by the City's Collector of Revenue. Undistributed taxes held by the the City's Collector of Revenue are included in taxes receivable. Undistributed taxes totaled \$86,606 and \$100,561 at June 30, 2016 and 2015, respectively.

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

Cash and Cash Equivalents

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

Investments

Investments are presented at fair value in accordance with GASB guidelines. Unrealized gains and losses are included in the statements of revenues, expenses, and changes in net position.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 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 2017 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 2017 which have not yet been appropriated for specific agencies/projects.

Designated for Administration - Funds designated for administration of projects in fiscal year 2017.

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 contingency and long-term reserves are currently approximately 7 and 31 percent, respectively, of annual non-federal expenditures in compliance with MHB's stated policy.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 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 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.

Subsequent Events

Subsequent events were evaluated through November 17, 2016, which is the date the financial statements were available to be issued.

B. CHANGE IN ACCOUNTING PRINCIPLE

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 adopted this new standard in 2016 (Note C).

C. 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, 2016 and 2015

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, 2016 and 2015:

2016				
	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Investments:				
Agency securities	\$ 2,986,793	\$ -	\$ 2,986,793	\$ -
Certificates of deposit	12,300,814	-	12,300,814	-
Total Investments	<u>\$ 15,287,607</u>	<u>\$ -</u>	<u>\$ 15,287,607</u>	<u>\$ -</u>
2015				
	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Investments:				
Agency securities	\$ 1,867,590	\$ -	\$ 1,867,590	\$ -
Certificates of deposit	13,885,090	-	13,885,090	-
Total Investments	<u>\$ 15,752,680</u>	<u>\$ -</u>	<u>\$ 15,752,680</u>	<u>\$ -</u>

Following is a description of the valuation methodologies used for investments measured at fair value:

Level 2 Investments consist of agency securities and certificates of deposit with maturities longer than 3 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.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments at June 30, 2016 and 2015, consisted of the following:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Cash deposits	\$ 4,928,566	\$ 4,928,566	\$ 5,895,517	\$ 5,895,517
Money market accounts	744,977	744,977	98,433	98,433
Agency securities	2,981,781	2,986,793	1,867,934	1,867,590
Certificates of deposit	12,314,077	12,300,814	13,826,247	13,885,090
Total Cash and Cash Equivalents and Investments	<u>\$20,969,401</u>	<u>\$20,961,150</u>	<u>\$21,688,131</u>	<u>\$21,746,630</u>

Included in the accompanying statements of net position as:

	2016	2015
Cash and cash equivalents	\$ 5,673,543	\$ 5,993,950
Investments - current	7,149,963	4,927,057
Investments - noncurrent	8,137,644	10,825,623
Total Cash and Cash Equivalents and Investments	<u>\$20,961,150</u>	<u>\$21,746,630</u>

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
One year or less	\$ 7,199,571	\$ 7,149,963	\$ 4,927,057	\$ 4,927,057
After one through five years	8,096,287	8,137,644	10,767,124	10,825,623
	<u>\$15,295,858</u>	<u>\$15,287,607</u>	<u>\$15,694,181</u>	<u>\$15,752,680</u>

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

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

Credit ratings of debt securities at June 30, 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>\$2,647,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,640,316</u>

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

	AAA	AA	A	BBB	Unrated
Agency securities	\$1,867,590	\$ -	\$ -	\$ -	\$ -
Certificates of deposit	-	-	-	-	13,885,090
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, 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:

	2016	2015
Interest and dividend income, net of fees	\$ 228,307	\$ 192,132
Amortization of premium	(49,693)	(63,321)
Total Investment Return, net of fees	<u>\$ 178,614</u>	<u>\$ 128,811</u>

Investment fees for the years ended June 30, 2016 and 2015 totaled \$15,999 and \$15,821, respectively.

E. 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, six 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 2016 and 2015, loans made to the Agencies amounted to \$215,000 and \$270,712, 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, 2016 and 2015, totaled \$1,126,547 and \$1,048,437, respectively.

On each anniversary of the loans, one tenth of the outstanding principal balance, plus all accrued interest at 4 percent, will be forgiven. Also, upon the maturity date of the loan, the remaining principal balance and accrued interest shall be deemed satisfied and discharged. The loans mature through December 2025.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

During 2016 and 2015, \$136,888 and \$109,819 was forgiven on mental health supported housing loans receivable, respectively.

F. CAPITAL ASSETS

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>

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

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

Depreciation expense totaled \$9,579 and \$5,685 for the years ended June 30, 2016 and 2015, respectively.

G. COMMITMENTS AND CONTINGENCIES

MHB is committed under a lease agreement for its office facilities through February 2018. Lease expense totaled \$65,935 and \$62,168 for the years ended June 30, 2016 and 2015, respectively.

Future minimum lease payments as of June 30, 2016, are as follows:

<u>Years Ending June 30,</u>	
2017	\$ 66,266
2018	67,397
2019	<u>5,616</u>
	<u>\$ 139,279</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 \$11,041,830 to fund programs and service contracts with various organizations for fiscal 2017. The Board of Trustees of MHB approved the commitments during fiscal 2016 board meetings. The payments to the organizations are contingent on the services being performed.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

H. 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 rates for the years ended June 30, 2016 and 2015 were 13.86% and 15.17% 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, 2016 and 2015 were \$67,280 and \$72,561, respectively.

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

At June 30, 2016 and 2015, MHB reported a liability of \$601,622 and \$370,851, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of October 1, 2014 and 2013, 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, 2015, MHB's proportion was 0.2649% which was an increase of 0.0250% from its proportion measured as of September 30, 2014.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

For the years ended June 30, 2016 and 2015, MHB recognized pension expense of \$128,946 and \$67,726, respectively. At June 30, 2016 and 2015, 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
<u>June 30, 2016</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	-
	<u>\$ 300,329</u>	<u>\$ 18,643</u>
<u>June 30, 2015</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	72,561	-
	<u>\$ 120,469</u>	<u>\$ 29,193</u>

The \$67,280 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, 2017. The \$72,561 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, 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>	
2017	\$ 62,313
2018	62,312
2019	41,771
2020	48,010
	<u>\$ 214,406</u>

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

Actuarial Assumptions

The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	October 1, 2014 for the year ended September 30, 2015, and October 1, 2013 for the year ended September 30, 2014
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

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	<u>25.00 %</u>	2.25 %
	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50% and 8.09%, as of September 30, 2015 and 2014, respectively. 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.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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, 2015 and 2014 calculated using an assumed long-term expected rate of return of 7.50% and 8.09%, 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:

	<u>September 30, 2015</u>		
	<u>1% Decrease 6.50%</u>	<u>Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
MHB's proportionate share of net pension liability	<u>\$ 858,170</u>	<u>\$ 601,622</u>	<u>\$ 382,295</u>
	<u>September 30, 2014</u>		
	<u>1% Decrease 7.09%</u>	<u>Discount Rate 8.09%</u>	<u>1% Increase 9.09%</u>
MHB's proportionate share of net pension liability	<u>\$ 595,319</u>	<u>\$ 370,851</u>	<u>\$ 178,848</u>

I. 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 2016. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable by December 31.

The City collects the property tax and remits it to MHB. Tax revenues for the years ended June 30, 2016 and 2015, were as follows:

	<u>2016</u>	<u>2015</u>
Real estate tax	\$ 8,481,585	\$ 8,447,728
Personal property tax	<u>2,236,182</u>	<u>2,232,994</u>
Total property tax	10,717,767	10,680,722
Manufacturing and other taxes	<u>798,430</u>	<u>757,312</u>
	<u>\$ 11,516,197</u>	<u>\$ 11,438,034</u>

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

J. UNRESTRICTED NET POSITION

The components of unrestricted net position at June 30, 2016 and 2015, are as follows:

	2016	2015
Appropriated for grants, partnerships, and initiatives	\$ 11,041,830	\$ 11,466,500
Investment in mental health supported housing loans	1,126,547	1,048,437
Designated for unanticipated projects	100,000	100,000
Designated for administration	2,077,298	1,860,200
Designated for contingencies	854,520	871,824
Designated for long-term reserve	3,784,304	3,860,936
Unreserved, undesignated	2,649,337	2,982,234
Total Unrestricted Net Position	<u>\$ 21,633,836</u>	<u>\$ 22,190,131</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2016 and 2015

Schedule of MHB's Proportionate Share of the Net Pension Liability

	September 30,	
	2015	2014
MHB's proportion percentage of the net pension liability	0.2649 %	0.2399 %
MHB's proportionate share of the net pension liability	\$ 601,622	\$ 370,851
MHB's covered employee payroll	661,377	583,862
MHB's proportionate share of the net pension liability as a percentage of MHB's covered employee payroll	91.0 %	64.0 %
Plan's fiduciary net position as a percentage of total pension liability	76.2 %	83.5 %

Schedule of MHB's Contributions

	September 30,	
	2015	2014
Required contribution	\$ 93,866	\$ 88,253
Contributions in relation to the required contribution	93,866	88,253
Contribution deficiency	-	-
MHB's covered employee payroll	661,377	583,862
Contributions as a percentage of covered employee payroll	14.19 %	15.12 %

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, 2015 and 2014.

ADDITIONAL SUPPLEMENTARY INFORMATION

City of St. Louis Mental Health Board of Trustees
SCHEDULE OF GRANTS, PARTNERSHIPS, AND INITIATIVES TO ORGANIZATIONS
For The Year Ended June 30, 2016

22nd Judicial Court of Missouri, Family Court-Juvenile Division	\$ 353,371
Aim High St. Louis	96,632
Area Resources for Community and Human Services	690,366
Behavioral Health Response	200,000
Bethany Christian Services	18,868
Bi-Lingual International Assistant Services	298,965
Big Brothers Big Sisters of Eastern Missouri	195,000
Bridgeway Behavioral Health	243,299
Center for Survivors of Torture and War Trauma	90,498
Children's Advocacy Services of Greater St. Louis	444,564
Children's Home Society of Missouri	152,766
City of St. Louis Department of Human Services	211,150
College Summit, Inc.	52,727
Covenant House of Missouri	377,271
Doorways	45,430
EducationPlus Resources	3,221
Employment Connection	307,271
Epworth Children & Family Services, Inc.	235,768
Family Care Health Centers	480,865
Family Resource Center	205,525
Father's Support Center, St. Louis	232,135
Foster and Adoptive Care Coalition	200,411
Great Circle	162,000
Greater St. Louis Community Foundation	10,000
Independence Center	201,620
International Institute of St. Louis	21,761
Kids in the Middle	250,985
Legal Services of Eastern Missouri	248,973
Lutheran Family and Children's Services of Missouri	140,114
Marian Middle School	91,260
Maternal, Child and Family Health Coalition	500,000
MERS/Missouri Goodwill Industries	47,400
Migrant and Immigrant Community Action Project	5,000
Missouri Department of Mental Health	300,000
Missouri Institute of Mental Health	63,452
Myrtle Hilliard Davis Comprehensive Health Centers	8,566
National Alliance on Mental Illness, St. Louis	4,000
Northside Youth and Senior Service Center, Inc.	185,000
Nurses for Newborns	117,000
One Hope United	8,455
Our Little Haven	258,042
Places for People, Inc.	1,314,648
Preferred Family Healthcare, Inc.	218,114
Queen of Peace Center	277,229
Safe Connections	253,901
Saints Teresa and Bridget Church	40,300
St. Francis Community Services	80,960
St. Louis Internship Program	162,315
St. Louis Public Schools Foundation	25,000
St. Louis University	200,000
The SPOT	230,154
UMSL, Community Psychological Services	20,635
United 4 Children	467,254
United Way of Greater St. Louis, Inc.	50,000
Vision for Children At-Risk	42,868
Voices for Children	284,901
Youth Mini-Grants	4,913
	<u>\$ 11,432,923</u>

**Independent Auditors' Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of St. Louis Mental Health Board of Trustees (Mental Health Board), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Mental Health Board's financial statements, and have issued our report thereon dated November 17, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mental Health Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



St. Louis, Missouri
November 17, 2016

**Independent Auditors' Report on Compliance for
Each Major Program and on Internal Control over Compliance
Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the City of St. Louis Mental Health Board of Trustees (Mental Health Board) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Mental Health Board's major federal programs for the year ended June 30, 2016. Mental Health Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Mental Health Board, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Mental Health Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mental Health Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Mental Health Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



St. Louis, Missouri
November 17, 2016

**UNIFORM GUIDANCE
REPORTS AND SCHEDULES**

City of St. Louis Mental Health Board of Trustees
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2016

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weaknesses identified? **No**

Control deficiencies identified not considered to be a material weakness? **None reported**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major program:

Material weaknesses identified? **No**

Significant deficiencies identified not considered to be a material weakness? **None reported**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with the

Uniform Guidance, Section 510(a)? **No**

Major Program: **93.104 St. Louis Regional System of Care**

Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**

Auditee qualified as a low-risk auditee? **Yes**

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

City of St. Louis Mental Health Board of Trustees
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2016

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
MAJOR PROGRAM		
<u>Department of Health and Human Services -</u> <u>Substance Abuse and Mental Health Services Administration</u>		
St. Louis Regional System of Care	93.104	\$ 300,313
St. Louis System of Care Expansion Planning Grant	93.104	173,545
OTHER FEDERAL ASSISTANCE		
<u>Department of Health and Human Services -</u> <u>Administration for Children and Families</u>		
Assistance for Torture Victims - Services for Survivors of Torture Program	93.604	296,787
<u>Department of Health and Human Services -</u> <u>Substance Abuse and Mental Health Services Administration</u>		
St. Louis Partnership for Mental Health and Housing Transformation	93.243	<u>100,542</u>
Total Expenditures of Federal Awards		<u>\$ 871,187</u>

City of St. Louis Mental Health Board of Trustees
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2016

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial programs of the City of St. Louis Mental Health Board of Trustees ("MHB"). MHB is described in Note A of the basic financial statements.

B. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

C. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards included in the accompanying schedule of expenditures of federal awards are reported as operating grants in MHB's basic financial statements.