

CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES

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

**FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012**

Contents

Independent Auditors' Report	<u>Page</u> 1 - 2
Required Supplementary Information	
Management's Discussion and Analysis (Unaudited)	3 - 6
Financial Statements	
Statements of Net Position	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 17
Additional Information	
Independent Auditors' Report on Additional Information	18
Schedule of Grants, Partnerships, and Initiatives Expenses	19
Schedule of Unrestricted Net Position by Fund	20

Independent Auditors' Report

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

We have audited the accompanying financial statements of the City of St. Louis Mental Health Board of Trustees (Mental Health Board), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of the Mental Health Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mental Health Board's internal control over financial reporting and compliance.



St. Louis, Missouri
November 14, 2013

City of St. Louis Mental Health Board of Trustees
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Years Ended June 30, 2013 and 2012

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, 2013 and 2012. Please read it in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- MHB's net position as of June 30, 2013, increased by \$0.41 million or 1.8% compared to June 30, 2012.
- MHB's 2013 tax revenues were more than budgeted by \$0.86 million or 7.9% primarily due to higher than expected property tax revenues collections.
- MHB's 2013 expenses were greater than budgeted by \$0.03 million or 0.3% primarily due to higher than anticipated administration expenses as a result of one-time costs associated with moving to a new office.

THE FINANCIAL REPORT

MHB's financial statements consist of the following parts:

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

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

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

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

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

City of St. Louis Mental Health Board of Trustees
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Years Ended June 30, 2013 and 2012

STATEMENTS OF NET POSITION

The following tables reflect the condensed statements of net position as of June 30, 2013 and 2012:

Condensed Statements of Net Position
(In thousands of dollars)

	FY 2013	FY 2012	Dollar Change	Total Percent Change
Current assets	\$ 15,790	\$ 23,418	\$ (7,628)	
Noncurrent assets	8,607	604	8,003	
Total Assets	<u>\$ 24,397</u>	<u>\$ 24,022</u>	<u>\$ 375</u>	<u>1.6 %</u>
Current liabilities	\$ 519	\$ 557	\$ (38)	
Total Liabilities	<u>519</u>	<u>557</u>	<u>(38)</u>	<u>(6.8)%</u>
Net Position				
Investment in capital assets	3	4	(1)	
Unrestricted	<u>23,875</u>	<u>23,461</u>	<u>414</u>	
Total Net Position	<u>23,878</u>	<u>23,465</u>	<u>413</u>	<u>1.8 %</u>
Total Liabilities and Net Position	<u>\$ 24,397</u>	<u>\$ 24,022</u>	<u>\$ 375</u>	<u>1.6 %</u>

Unrestricted net position (the part of net position that can be used to finance project services and administrative operations) increased to \$23.9 million.

The components of unrestricted net position at June 30, 2013 and 2012, are as follows:

	(In thousands of dollars)	
	FY 2013	FY 2012
Appropriated for grants, partnerships and initiatives	\$ 10,827	\$ 10,323
Investment in mental health supported housing loans	722	660
Designated for unanticipated projects	100	170
Designated for administration	1,273	1,180
Designated for future projects	1,836	3,493
Designated for contingencies	799	725
Designated for long-term reserve	3,538	3,212
Unreserved, undesignated	<u>4,780</u>	<u>3,698</u>
Total Unrestricted Net Position	<u>\$ 23,875</u>	<u>\$ 23,461</u>

A review of the 2013 statement of net position reveals the following:

Total assets of MHB are \$24.4 million. This includes cash and cash equivalents of \$9.8 million and investments of \$13.5 million.

City of St. Louis Mental Health Board of Trustees
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Years Ended June 30, 2013 and 2012

Total liabilities are \$0.5 million and are all current. MHB does not have any long-term debt obligations. The most significant liability is grants payable which total \$0.4 million.

Total net position of MHB is \$23.9 million. This consists mostly of unrestricted net position.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OPERATING REVENUES AND EXPENSES

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

The following table reflects the revenues and expenses of MHB's activities for the years ended June 30, 2013 and 2012:

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

	FY 2013	FY 2012	Dollar Change	Total Percent Change
Operating Revenues	\$ 12,728	\$ 12,593	\$ 135	1.1 %
Operating Expenses	<u>12,314</u>	<u>11,665</u>	<u>649</u>	<u>5.6 %</u>
Excess of Operating Revenues Over Expenses	414	928	(514)	(55.4)%
Beginning Net Position	<u>23,465</u>	<u>22,537</u>	<u>928</u>	<u>4.1 %</u>
Ending Net Position	<u><u>\$ 23,879</u></u>	<u><u>\$ 23,465</u></u>	<u><u>\$ 414</u></u>	<u><u>1.8 %</u></u>

A review of the 2013 statement of revenues, expenses, and changes in net position indicates the most significant component of revenues are tax revenues of \$11.8 million. Property tax revenues represent \$11.0 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 BUDGETS AND RATES

MHB and management considered many factors when setting the Fiscal Year 2014 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, 2013 and 2012

BUDGET INFORMATION

Total revenues are expected to decrease by \$0.3 million in 2014 primarily as a result of the anticipated decline in tax revenues.

Total expenses are expected to increase by \$1.1 million primarily due to changes in funding of agency 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 #200
St. Louis, Missouri 63103

FINANCIAL STATEMENTS

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

ASSETS

	June 30, 2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,789,641	\$ 7,264,658
Investments	5,546,594	15,595,859
Receivables		
Grants receivable	142,184	336,769
Taxes receivable	93,801	94,834
Advances to agencies	92,750	56,135
Mental health supported housing loans receivable	84,818	70,118
Prepaid expenses and other current assets	40,626	-
Total Current Assets	<u>15,790,414</u>	<u>23,418,373</u>
NONCURRENT ASSETS		
Investments	7,943,289	-
Mental health supported housing loans receivable	637,544	590,063
Other assets	23,264	9,375
Capital assets, net	3,294	4,367
Total Noncurrent Assets	<u>8,607,391</u>	<u>603,805</u>
Total Assets	<u><u>\$ 24,397,805</u></u>	<u><u>\$ 24,022,178</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 35,443	\$ 42,091
Accrued liabilities	73,429	32,993
Grants payable	410,476	482,194
Total Current Liabilities	<u>519,348</u>	<u>557,278</u>
NET POSITION		
Investment in capital assets	3,294	4,368
Unrestricted	23,875,163	23,460,532
Total Net Position	<u>23,878,457</u>	<u>23,464,900</u>
Total Liabilities and Net Position	<u><u>\$ 24,397,805</u></u>	<u><u>\$ 24,022,178</u></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,	
	2013	2012
Operating Revenues:		
Property taxes	\$ 10,989,979	\$ 10,389,280
Manufacturing, institutional, and other taxes	802,240	818,634
Operating grants	896,216	1,303,241
Investment income	39,463	82,133
Total Operating Revenues	<u>12,727,898</u>	<u>12,593,288</u>
Operating Expenses:		
Grants, partnerships, and initiatives	11,007,355	10,439,132
Forgiveness of mental health supported housing loans	84,820	41,000
Direct project expenses	640,082	772,936
Administration	582,084	412,701
Total Operating Expenses	<u>12,314,341</u>	<u>11,665,769</u>
Excess of Operating Revenues Over Expenses	413,557	927,519
Net Position, Beginning of year	<u>23,464,900</u>	<u>22,537,381</u>
Net Position, End of year	<u>\$ 23,878,457</u>	<u>\$ 23,464,900</u>

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

	For The Years Ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from property and other taxes	\$ 11,793,251	\$ 11,198,914
Interest and dividends received	153,414	82,133
Proceeds from other support	1,090,801	1,173,146
Cash paid for projects	(11,339,742)	(11,167,777)
Cash paid for salaries and employee benefits	(749,768)	(810,226)
Cash paid for other operating activities	(366,701)	(200,251)
Net Cash Provided by Operating Activities	<u>581,255</u>	<u>275,939</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(15,362,573)	(78,658)
Sales of investments	17,307,106	-
Purchases of capital assets	(805)	(5,271)
Net Cash Provided by (Used In) Investing Activities	<u>1,943,728</u>	<u>(83,929)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,524,983	192,010
CASH AND CASH EQUIVALENTS, Beginning of year	<u>7,264,658</u>	<u>7,072,648</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 9,789,641</u>	<u>\$ 7,264,658</u>
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 413,557	\$ 927,519
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	1,878	1,045
Forgiveness of mental health supported housing loans	84,820	41,000
Net realized and unrealized losses on investments	161,443	-
Change in assets and liabilities:		
(Increase) decrease in grants receivable	194,585	(117,984)
(Increase) decrease in taxes receivable	1,033	(9,000)
Increase in advances to agencies	(36,615)	(12,111)
Increase in mental health supported housing loans receivable	(147,001)	(701,181)
Increase in prepaid expenses and other assets	(54,515)	(7,875)
Increase (decrease) in accounts payable and accrued liabilities	33,788	(19,160)
Increase (decrease) in grants payable	(71,718)	173,686
Net Cash Provided by Operating Activities	<u>\$ 581,255</u>	<u>\$ 275,939</u>

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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, 2013 and 2012

Appropriations

MHB appropriates funds for specific projects and programs to be expended for the following year's program service funding period July 1, 2013 to June 30, 2014. 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.

Statements of Cash Flows

For purposes of the statements of cash flows, cash and cash equivalents is defined as all cash and short-term investments with an original maturity of three months or less at the time of purchase.

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 \$93,801 and \$94,834 at June 30, 2013 and 2012, respectively.

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

Cash and Cash Equivalents

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

Investments

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

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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 furniture and equipment are three to seven years.

Components of Net Position

Investment in Capital Assets

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

Unrestricted

Appropriated for Grants, Partnerships and Initiatives - Funds committed for specific grants, project expenditures and collaborative programs in the fiscal year 2014 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 2014 which have not yet been appropriated for specific agencies/projects.

Designated for Administration - Funds designated for administration of projects in fiscal year 2014.

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

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

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

Subsequent events were evaluated through November 14, 2013, which is the date the financial statements were available to be issued. It was concluded there were no events or transactions occurring during this period that required recognition or disclosure in the financial statements.

B. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments at June 30, 2013 and 2012, consisted of the following:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Cash deposits	\$ 7,706,004	\$ 7,706,004	\$ 7,264,658	\$ 7,264,658
Money market accounts	2,083,637	2,083,637	-	-
Agency securities	6,864,780	6,820,122	-	-
Corporate bonds	764,343	759,865	-	-
Certificates of deposit	5,934,855	5,909,896	15,595,859	15,595,859
Total Cash and Cash Equivalents and Investments	<u>\$23,353,619</u>	<u>\$23,279,524</u>	<u>\$22,860,517</u>	<u>\$22,860,517</u>

Included in the accompanying statements of net position as:

	2013	2012
Cash and cash equivalents	\$ 9,789,641	\$ 7,264,658
Investments - current	5,546,594	15,595,859
Investments - noncurrent	7,943,289	-
Total Cash and Cash Equivalents and Investments	<u>\$23,279,524</u>	<u>\$22,860,517</u>

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

	Cost	Fair Value
One year or less	\$ 5,601,238	\$ 5,546,594
After one through five years	7,962,740	7,943,289
	<u>\$ 13,563,978</u>	<u>\$ 13,489,883</u>

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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, 2013 are as follows:

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

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

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

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

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 200,906	\$ 82,133
Net realized and unrealized losses on investments	(161,443)	-
Total Investment Income	<u>\$ 39,463</u>	<u>\$ 82,133</u>

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

C. MENTAL HEALTH SUPPORTED HOUSING LOANS RECEIVABLE

MHB maintains a Housing Acquisition Initiative ("Housing Project") in order to increase the quality and quantity of housing available for persons with serious mental illness and those completing substance abuse treatment who need subsidized housing. Currently, four 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 interest-free forgivable loans to the Agencies. In 2013 and 2012, loans made to the Agencies amounted to \$147,001 and \$701,181, 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, 2013 and 2012, totaled \$722,362 and \$660,181, 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 July 2022.

During 2013 and 2012, \$84,820 and \$41,000 was forgiven on mental health supported housing loans receivable, respectively.

D. CAPITAL ASSETS

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

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

Capital asset activity for the year ended June 30, 2012, is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Furniture and equipment	\$ 41,298	\$ 5,271	\$ -	\$ 46,569
Leasehold improvements	77,179	-	-	77,179
	118,477	5,271	-	123,748
Less accumulated depreciation and amortization	(118,336)	(1,045)	-	(119,381)
Total Capital Assets, Net	<u>\$ 141</u>	<u>\$ 4,226</u>	<u>\$ -</u>	<u>\$ 4,367</u>

Depreciation expense totaled \$1,878 and \$1,045 for the years ended June 30, 2013 and 2012, respectively.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

E. COMMITMENTS AND CONTINGENCIES

MHB is committed under a lease agreement for its office facilities through February 2018. Lease expense totaled \$49,607 and \$42,011 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments as of June 30, 2013, are as follows:

Year Ending June 30,	
2014	\$ 60,693
2015	62,499
2016	64,358
2017	66,266
2018	67,397
Thereafter	5,616
	<u>\$ 326,829</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 cost. 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 \$10,826,000 to fund programs and service contracts with various organizations for fiscal 2014. The Board of Trustees of MHB approved the commitments during fiscal 2013 and 2014 board meetings. The payments to the organizations are contingent on the services being performed.

F. RETIREMENT PLAN

The employees of MHB participate in the Employees' Retirement System of the City of St. Louis (the "Plan"). Participation in the Plan is immediate upon employment. MHB contributed the required amounts of \$72,908 and \$67,217 on behalf of its employees in 2013 and 2012, respectively. The City of St. Louis Retirement System is a cost-sharing multi-employer plan and issues a publicly available annual report that includes financial statistics, an actuarial valuation, and the required supplementary information. That report may be obtained by writing to the City of St. Louis Employees' Retirement System, Room 900, 1114 Market St., St. Louis, Missouri, 63101.

G. FUNDING

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

Tax levy rates of \$0.089 and \$0.19, respectively for MHF and CCSF were established for fiscal year 2013. 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.

City of St. Louis Mental Health Board of Trustees
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

The City collects the property tax and remits it to MHB. Tax revenues for the years ended June 30, 2013 and 2012, were as follows:

	<u>2013</u>	<u>2012</u>
Real estate tax	\$ 8,883,467	\$ 8,445,779
Personal property tax	<u>2,106,512</u>	<u>1,943,501</u>
Total property tax	10,989,979	10,389,280
Manufacturing and other taxes	775,245	715,179
Institutional tax	<u>26,995</u>	<u>103,455</u>
	<u>\$ 11,792,219</u>	<u>\$ 11,207,914</u>

H. UNRESTRICTED NET POSITION

The components of unrestricted net position at June 30, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Appropriated for grants, partnerships and initiatives	\$ 10,826,167	\$ 10,322,469
Investment in mental health supported housing loans	722,362	660,181
Designated for unanticipated projects	100,000	170,000
Designated for administration	1,272,858	1,180,000
Designated for future projects	1,836,472	3,493,097
Designated for contingencies	798,920	725,268
Designated for long-term reserve	3,538,075	3,211,904
Unreserved, undesignated	<u>4,780,309</u>	<u>3,697,613</u>
Total Unrestricted Net Position	<u>\$ 23,875,163</u>	<u>\$ 23,460,532</u>

**Independent Auditors' Report on
Additional Information**

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

We have audited the financial statements of the City of St. Louis Mental Health Board of Trustees as of and for the year ended June 30, 2013, and have issued our report thereon dated November 14, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of appropriations and schedule of fund equity by fund are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



November 14, 2013

City of St. Louis Mental Health Board of Trustees
SCHEDULE OF GRANTS, PARTNERSHIPS, AND INITIATIVES EXPENSES
For The Year Ended June 30, 2013

22nd Judicial Court of Missouri, Family Court-Juvenile Division	\$ 342,113
Amanda Luckett Murphy Hopewell Center	99,993
AmeriCorps St. Louis	30,635
Area Resources for Community and Human Services	651,292
Big Brothers Big Sisters of Eastern Missouri	225,000
Bi-Lingual International Assistant Services	170,510
Catholic Family Services	30,567
Center for Survivors of Torture and War Trauma	144,393
CHARACTERplus	37,281
Children's Advocacy Services of Greater St. Louis	442,528
Children's Home Society of Missouri	111,973
City of St. Louis, Department of Human Services	194,705
Covenant House of Missouri	357,661
Employment Connection	200,237
Epworth Children & Family Services	328,329
Family Care Health Centers	164,383
Family Resource Center	159,990
Father's Support Center, St. Louis	292,376
Foster and Adoptive Care Coalition	279,085
Grace Hill Neighborhood Health Centers, Inc.	152,417
Great Circle	148,465
Independence Center	180,865
International Institute of St. Louis	40,554
Kids in the Middle	243,121
Legal Services of Eastern Missouri	131,500
Lutheran Family and Children's Services of Missouri	124,785
Marian Middle School	76,331
Maternal, Child and Family Health Coalition	406,132
Missouri Department of Mental Health	356,662
Missouri Institute of Mental Health	48,193
National Alliance on Mental Illness	20,154
Neighborhood Houses	84,759
North Grand Neighborhood Services	54,983
Northside Youth and Senior Service Center, Inc.	359,968
One Hope United	97,906
Our Little Haven	222,000
Places for People, Inc.	1,627,516
Preferred Family Healthcare	233,012
Queen of Peace Center	32,271
Redevelopment Opportunities for Women	55,489
Safe Connections	96,288
Saint Louis Crisis Nursery	99,770
Saints Teresa and Bridget Church	29,985
Society of St. Vincent dePaul	78,108
SouthSide Early Childhood Center	99,000
St. Louis Art Works	101,113
St. Louis Internship Program	142,617
St. Patrick Center	134,792
The SPOT	281,585
Today and Tomorrow Foundation	256,500
United 4 Children	204,969
United Way of Greater St. Louis, Inc.	180,000
Vision for Children At-Risk	20,000
Voices for Children	183,467
Wesley House Association	112,811
Other	26,216
	<u>\$ 11,007,355</u>

City of St. Louis Mental Health Board of Trustees
SCHEDULE OF UNRESTRICTED NET POSITION BY FUND
June 30, 2013

	MHF	CCSF	Total
Appropriated for grants, partnerships and initiatives	\$ 3,914,111	\$ 6,912,056	\$ 10,826,167
Investment in mental health supported housing loans	722,362	-	722,362
Designated for unanticipated projects	-	100,000	100,000
Designated for future projects	1,167,584	668,888	1,836,472
Designated for administration	<u>456,498</u>	<u>816,360</u>	<u>1,272,858</u>
Total project services and administrative expenses	<u>6,260,555</u>	<u>8,497,304</u>	<u>14,757,859</u>
Designated for contingencies			798,920
Designated for long-term reserve			<u>3,538,075</u>
Total Board designated reserves			<u>4,336,995</u>
Appropriated and designated net position			19,094,854
Unreserved, undesignated net position			<u>4,780,309</u>
Total Unrestricted Net Position as of June 30, 2013			<u><u>\$ 23,875,163</u></u>

CITY OF ST. LOUIS MENTAL HEALTH BOARD OF TRUSTEES

**OMB CIRCULAR A-133
REPORTS AND SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2013**

Contents

	<u>Page</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	1 - 2
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	3 - 5
Schedule of Findings and Questioned Costs	6
Schedule of Expenditures of Federal Awards.....	7
Notes to Schedule of Expenditures of Federal Awards	8

**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, 2013, and the related notes to the financial statements, which collectively comprise the Mental Health Board's basic financial statements, and have issued our report thereon dated November 14, 2013.

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 opinions 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.

A handwritten signature in black ink, reading "Schmerrahl Tullon & Co., PC". The signature is fluid and cursive, with the initials "STC" being prominent.

St. Louis, Missouri
November 14, 2013

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

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 Circular A-133 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, 2013. Mental Health Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 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, 2013.

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 OMB Circular A-133, 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Mental Health Board, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Mental Health Board's basic financial statements. We issued our report thereon dated November 11, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, reading "Emerald Trelan & Co., PC". The signature is written in a cursive, flowing style.

St. Louis, Missouri
November 14, 2013

City of St. Louis Mental Health Board of Trustees
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' 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 programs:

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 Circular A-133, Section 510(a)? **No**

Major program: **93.604 Services for Survivors of Torture Program**

Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**

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, 2013

	Federal CFDA Number	Federal Expenditures
MAJOR PROGRAMS		
<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	\$ 446,062
OTHER FEDERAL ASSISTANCE		
<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>445,521</u>
Total Expenditures of Federal Awards		<u>\$ 891,583</u>

City of St. Louis Mental Health Board of Trustees
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

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 (Mental Health Board). The Mental Health Board is described in Note A of the Mental Health Board's 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 the Mental Health Board's basic financial statements.