



California Mental Health Service Authority  
FINANCE COMMITTEE TELECONFERENCE

AGENDA

July 29, 2013

3:00 pm – 4:00 pm

Dial-in Number: 877-339-2412

Access Code: 2250381321

George Hills Company  
3043 Gold Canal Drive, Suite 200  
Rancho Cordova, CA 95670

Glenn County Human Resource Agency  
420 East Laurel Street  
Willows, CA 95988

Sutter/Yuba Human Services, Office of the Director  
1445 Veterans Memorial Circle  
Yuba City, CA 95993

Monterey County Department of Behavioral Health  
1270 Natividad Road  
Salinas, CA 93906

*The Finance Committee welcomes and encourages public participation in its meetings. Following each item, time is reserved for members of the public to address the Committee. Items not on the agenda are reserved for the end of the meeting.*

*Comments will be limited to three minutes per person and 20 minutes total. When it appears there are several members of the public wishing to address the Committee on a specific item, at the outset of the item, the Committee Chair may announce the maximum amount of time that will be allowed for presentation of testimony on that item.*

1. Call to Order
2. Roll Call and Public Comment Instruction
3. Approval of the Agenda as Posted (Or Amended)
4. Consent Calendar ..... 3
  - Minutes from the May 7, 2013 Finance Committee Teleconference
  - Treasurer’s Report as of June 30, 2013

**Recommendation: Approval of the consent calendar.**
5. CalMHSA Investment Update ..... 4

**Recommendation: None, information only.**
6. CalMHSA Financial Audit Engagement Letter ..... 5

**Recommendation: None, information only.**
7. Discussion on Statewide Hospital Beds ..... 6

**Recommendation: Discussion and/or action as deemed appropriate.**
8. George Hills Company Contract – Finance Committee Task Force Update ..... 9

**Recommendation: Discussion and/or action as deemed appropriate.**
9. General Public Comment
10. Closing Comments
11. Adjournment

**CalMHSA Finance Committee**

<b>Position/Region</b>	<b>Committee Member</b>	<b>Term</b>
Chair	Scott Gruendl, Treasurer*	NA
Bay Area	TBD	February 29, 2012–February 28, 2014
Central	Tom Sherry, Sutter-Yuba Counties	February 29, 2012–February 28, 2015
Los Angeles	William Arroyo, Los Angeles County	February 29, 2012–February 28, 2015
Superior	Amy Wilner, Butte County	February 29, 2012–February 28, 2015
Southern	Tanya Bratton, San Bernardino County	February 29, 2012–February 28, 2014
Ex Officio	Wayne Clark, CalMHSA President*	NA

*\*As directed in the CalMHSA Finance Committee Charter*

**Agenda Item 4**

**SUBJECT: Consent Calendar**

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**ACTION FOR CONSIDERATION:**

Approve the consent calendar as posted.

**BACKGROUND AND STATUS:**

The minutes of the previous meeting require approval or acceptance and require no additional discussion. If the Committee would like to make a correction to the meeting minutes, they may do so at the time of request for approval.

- Minutes from the May 7, 2013 Finance Committee Teleconference
- Treasurer's Report as of June 30, 2013

**FISCAL IMPACT:**

None.

**RECOMMENDATION:**

Approval of the consent calendar.

**TYPE OF VOTE REQUIRED:**

Majority vote of the Committee.

**REFERENCE MATERIAL(S) ATTACHED:**

- Minutes from the May 7, 2013 Finance Committee Teleconference
- Treasurer's Report as of June 30, 2013

**Agenda Item 5**

**SUBJECT: CalMHSA Investment Update**

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**ACTION FOR CONSIDERATION:**

None, information only.

**BACKGROUND AND STATUS:**

John Liddle, Morgan Stanley Smith Barney, will present an update on the CalMHSA investments being managed by Public Financial Management (PFM). PFM was selected as CalMHSA's investment manager at the December 15, 2011 Board of Directors meeting. MSSB reviews PFM's performance and stability on an ongoing basis. While meeting CalMHSA's cash flow needs, PFM is tasked with:

1. Maintaining safety of principle
2. Meeting liquidity need
3. Meeting market rate of return
4. Investing according to the CalMHSA Investment Policy

The liquidity requirements communicated to PFM are as follows:

- |      |  |
|------|--|
| 2012 | LAIF monies (\$45M)  |
| 2013 | \$5M/month available   |
| 2014 | \$3M/month available, with all remaining funds available on July 1, 2014 |

**FISCAL IMPACT:**

None, information only.

**RECOMMENDATION:**

None, information only.

**TYPE OF VOTE REQUIRED:**

None.

**REFERENCE MATERIALS ATTACHED:**

- Account – Executive Summary (*distributed under separate cover*)

**Agenda Item 6**

**SUBJECT: CalMHSA Financial Audit Engagement Letter**

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**ACTION FOR CONSIDERATION:**

None, information only.

**BACKGROUND AND STATUS:**

In late 2010 at board direction, staff engaged James Marta & Company to carry-out a biennial audit for the two-year period ending June 30, 2011 in accordance with Article 7, Section 7.1 of the Bylaws, which states "the Board shall cause to be made, by a qualified, independent individual or firm, an annual audit of the financial accounts and records of the Authority."

On February 10, 2012, the CalMHSA Board of Directors, upon the Finance Ad Hoc Committee's in-depth review and subsequent recommendation, received and filed the CalMHSA Financial Audit for the Fiscal Years Ended June 30, 2011 and 2010. Upon close of the fiscal year ending June 30, 2012, the Board approved James Marta & Company to carry-out audits for the 2013 fiscal year as well as those years ending June 30, 2013 and June 30, 2014.

**FISCAL IMPACT**

None.

**RECOMMENDATION:**

None, information only.

**TYPE OF VOTE REQUIRED:**

None, information only.

**REFERENCE MATERIALS ATTACHED:**

- James Marta & Company Financial Audit Engagement Letter, June 11, 2012

## **Agenda Item 7**

**SUBJECT: Discussion on Statewide Hospital Beds**

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### **ACTION FOR CONSIDERATION:**

Discussion and/or action as deemed appropriate.

### **BACKGROUND AND STATUS:**

Below is a chronology of significant events regarding the planning and development around state hospital beds.

- June 14, 2012 – Staff is moving forward with the direction provided on one of the priority items at the Strategic Planning Session (April 13, 2012) regarding staff working with CMHDA in exploring the JPA acting on behalf of member counties in the annual purchase contract for State Hospital Beds. In addition, the Board approved a budget of up to \$100,000.00 for planning and development related to this work, which would be billed to participating counties.
- August 10, 2012 – Staff convened a short-term Work Group that includes members and/or appointed county staff and CMHDA in an effort to identify the various responsibilities and functions between counties, CalMHSA, hospitals and initial county needs assessment.
- December 13, 2012 – The Work Group provided the CalMHSA Board with a full update on current activities to include preparation of a draft Participation Agreement, which is intended to describe the extent of the Bed Services Program and most importantly signify the JPA's authority to contract on behalf of counties.
- January 15, 2013 – The Work Group and CalMHSA had their first meeting with DSH to discuss their MOU distributed to counties in November 2012 and recommendation changes. DSH agreed to distribute the MOU to all counties for a 30 day comment period on recommended changes, followed by their consideration of recommendations.
- May 31, 2013 – Staff issued a memo to participating members as it relates to work performed in the planning and development of a contract with DSH for the procurement of state hospital beds. In addition, staff provided the members with cost and allocation for FY 12/13 with notice of an invoice to be issued for such services.

The Work Group has increased the series of meeting convened to include three additional meetings with DSH between January and May 2013.

### **Status of Open Items:**

1. MOU
2. County Counsel Association discussions
3. CalMHSA role, if any, for 2013-14. Participation Agreement indicates potential role, but will be adjusted when more known.

4. Budget for Planning and Development and Operating for 2013-14. Will be adjusted when more known.

To date, the Work Group, CMHDA and CalMHSA, have met with DSH four times, with the last meeting on June 3, 2013. At this meeting the following items are under discussion, and/or have reached consensus:

Section	Description	Status
<b>I. Recitals</b>	Added: All hospitals shall comply with responsibilities noted for DSH in this agreement.	Consensus
<b>II. Terms and Conditions</b>	<b>B. County Referred Patients</b>	Under discussion
	<b>C. Description of Covered Hospital Services</b>	Under discussion
	<b>D. Admission &amp; Discharge Procedures</b>	Under discussion
	<b>E. Bed Type Transfers</b>	Under discussion
	<b>F. Penalties</b>	Under discussion
	<b>H. Coordination of Treatment/Case Management</b>	
	2. Case manager/team Information available on-line	Consensus
	<b>K. Bed Usage Commitment</b>	Under discussion
	<b>L. Bed Payment</b>	Under discussion
	<b>M. Utilization Review - Hospital Operations</b>	Consensus
	<b>N. Records</b>	
	2. <b>Financial Records</b>	Consensus
	<b>O. Revenue</b>	Under discussion
	<b>P. Inspections and Audits</b>	Consensus
<b>Q. Notices</b>	Consensus	
<b>III. Special Provision</b>	<b>A. No intent to amend or waive any statutory provisions</b>	Consensus
	<b>C. Indemnification</b> (mutual indemnification)	Under discussion

Doug Alliston, counsel for CalMHSA, has been in ongoing discussions with the County Counsel Association in an effort to receive their input on recommended changes to the MOU.

In a recent meeting with the Work Group, they re-confirmed their desire to work with the JPA as one voice to continue negotiations for a joint contract and operationalize DSH beds with CalMHSA for FY 2013-14. The draft Participation Agreement indicates a potential role for the JPA with the understanding that adjustments will be made as more information is available.

In addition, staff projected planning, development and operation costs for FY 2013-14 with the understanding these numbers will fluctuate as we learn more. (See attached projections.)

Additional effort would be completion of a mutually acceptable MOU, redefining and presenting the operational plan and consideration of reviewing alternatives for DSH.

**Next Steps:**

- Response by counties or JPA for Enclosure B—number of beds
- Follow up meeting with Work Group to discuss DSH proposed changes
- CMHDA to meet with the Department of Finance
- Counties to take to their boards of supervisors for approval for potential expenditures for 2013-14
- Work Group to meet with DSH in July to hopefully finalize MOU
- Decision on MOU—individual or joint
- Extent of operationalizing any responsibilities on a joint basis, at which time a budget can be finalized

**FISCAL IMPACT:**

None.

**RECOMMENDATION:**

Discussion and/or action as deemed appropriate.

**TYPE OF VOTE REQUIRED:**

Majority vote of the Committee.

**REFERENCE MATERIALS ATTACHED:**

- Planning, Development and Operation Cost Projections



**Agenda Item 8**

**SUBJECT: George Hills Company Contract – Finance Committee Task Force Update**

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**ACTION FOR CONSIDERATION:**

Discussion and/or action as deemed appropriate.

**BACKGROUND AND STATUS:**

CalMHSA, in the spirit of transparency, desires to periodically review the contract of their Fiscal and Administrative Agency. At the February 10, 2012 board meeting, staff presented a summarized historical analysis of CalMHSA's contract with George Hills Company. At the November 26, 2012 Finance Committee teleconference, staff provided an updated analysis to reflect pre-JPA data (2008) through to the end of the first quarter of this fiscal year (September 30, 2012). Following discussion, the committee decided to create a task force to review the contract and evaluate GHC's execution of said contract before a presentation is made to the full board with the intent to provide a recommendation for the contract status beyond the expiration date.

**FISCAL IMPACT:**

None.

**RECOMMENDATION:**

Discussion and/or action as deemed appropriate.

**TYPE OF VOTE REQUIRED:**

Majority vote of the Committee.

**REFERENCE MATERIALS ATTACHED:**

- None



*"A George Hills Company Administered JPA"*

## **Finance Committee Teleconference Minutes**

**May 7, 2013**

### Finance Committee Members

#### Present

- Mr. Scott Gruendl, Chair, Glenn County
- Mr. Tom Sherry, Sutter/Yuba County
- Dr. William Arroyo, Los Angeles County (not at posted location)
- Dr. Wayne Clark, CalMHSa President (Ex-Officio)
- Tanya Bratton, San Bernardino County

#### Absent

- Amy Wilner, Butte County

### CalMHSa Staff

- John Chaquica, Executive Director
- Kim Santin, Finance Director
- Doug Alliston, Legal Counsel
- Allan Rawland, Associate Administrator – Government Relations
- Maya Maas, Executive Assistant
- Jaikelle Meeks, Administrative Assistant

### Consultants

- John T. Liddle, Morgan Stanley Smith Barney
- Deborah Dunn, Morgan Stanley Smith Barney

### Members of the Public

- Cynthia Burt, Mental Health Services Oversight and Accountability Commission
- Ren Scammon, El Dorado County
- Michelle Berry, Butte County

The CalMHSa Finance Committee teleconference was called to order at 2:02 p.m. by Committee Chair Scott Gruendl. Introductions were made and teleconference instructions were given by Maya Maas, CalMHSa Executive Assistant.

3. Approval of the Agenda as Posted (Or Amended)  
Committee Chair Gruendl asked for any amendments to the agenda, of which there were none.

**Action: Approval of the consent calendar.**

**Motion: Tom Sherry, Sutter/Yuba County**

**Second: Tanya Bratton, San Bernardino County**

**Motion unanimously approved.**

4. Consent Calendar

Committee Chair Gruendl asked for any changes to the November 26, 2012 minutes or Treasurer's Reports as of December 31, 2012, and March 31, 2013. None were made.

**Action: Approval of the consent calendar.**

**Motion: Tom Sherry, Sutter/Yuba County**

**Second: Tanya Bratton, San Bernardino County**

**Motion unanimously approved.**

5. CalMHSA Financial Statements for the Quarters Ended December 31, 2012 and March 31, 2013

Committee Chair Gruendl called upon Kim Santin, CalMHSA Finance Director, to give an overview of the Financial Statements for the Quarters Ended December 31, 2012 and March 31, 2013. Ms. Santin reviewed the memo and supporting documentation and emphasized the March Financial Statements, as the most recent statements.

Ms. Santin emphasized the PEI program funding projected net assets, as of March 31, 2013, were \$105 million; through June 30, 2013, it is projected there will be \$90 million in net assets. Ms. Santin identified this was key because the fiscal modeling at CalMHSA's development were projections for June 30, 2013, to be 75% of these PEI funds expended. We are currently 40% expended; however, implementation is in fact going forward. On the topic of implementation, CalMHSA staff is currently working with Program Partners to collect revised cash flow projections.

**Action: Approval of the CalMHSA Financial Statements for the Quarters Ended December 31, 2012 and March 31, 2013 for presentation at the June 13, 2013 Board of Directors Meeting.**

**Motion: Tom Sherry, Sutter/Yuba County**

**Second: Tanya Bratton, San Bernardino County**

**Motion unanimously approved.**

6. CalMHSA Investment Update

Committee Chair Gruendl called on John Liddle, Morgan Stanley Smith Barney, to present an update on the CalMHSA investments managed by Public Financial Management (PFM). Mr. Liddle discussed the current interest rate environment and how rising interest rates could affect the portfolio. Mr. Liddle indicated the total projected annual income is approximately \$1.3 million and explained how this number includes all the different interest income payments that will be received over the course of the next calendar year. Mr. Liddle explained that he and his team work closely with Kim Santin and the money manager (PFM) to provide the cash flow needed for the current projects. He also explained that any money not being

spent at the rate initially anticipated can be re-invested, further out on the yield curve to get a higher rate of return than what is currently being earned.

Mr. Liddle noted CalMHSA has been successful at achieving a higher rate of return since March 21, 2012. John Chaquica, CalMHSA Executive Director, reiterated more on the yield curve and gave emphasis to the recommendation being presented.

**Action: Request Morgan Stanley Smith Barney extends investment maturities through June 30, 2015.**

**Motion: Tom Sherry, Sutter/Yuba County**

**Second: Tanya Bratton, San Bernardino County**

**Motion unanimously approved.**

7. CalMHSA Annual Revenue and Expenditure Report- Proposed Budget June 30, 2014  
Committee Chair Gruendl called on Kim Santin, CalMHSA Finance Director, to provide an overview of the proposed budget for June 30, 2014. Ms. Santin reminded the Committee this budget contains funding through June 30, 2014, and is connected to three programs—Technical Assistance and Capacity Building (TTACB), Prevention and Early Intervention (PEI), and Workforce Education and Training (WET). Ms. Santin noted the total funds projected to be received by June 30, 2014, are \$151 million and the estimated interest to be received after the year 2014 is \$95,000. Of the \$151 million, all will be spent with the exception of \$2.9 million of interest income, which will be retained in operating reserve. Mr. Chaquica referenced and elaborated on the budget information provided on page 47 in the agenda packet.

**Action: Approval of the CalMHSA Revenue and Expenditure Report Proposed Budget June 30, 2014 for presentation at the June 13, 2013 Board of Directors meeting.**

**Motion: Tanya Bratton, San Bernardino County**

**Second: Scott Gruendl, Glenn County**

**Motion unanimously approved.**

8. George Hills Company Contract - Finance Committee Task Force Update  
Committee Chair Gruendl explained that as result of a meeting between himself, Tanya Bratton, San Bernardino County, and Amy Wilner, Butte County, questions arose regarding George Hills Company, and whether or not their contract should be extended or an RFP process should be established. Mr. Chaquica confirmed all questions and concerns would be answered or solved once the Task Force reconvened to formalize recommendations, and presented to the full Board.
9. Discussion on Statewide Hospital Beds  
Committee Chair Gruendl called on Mr. Chaquica to provide an update on what has been done thus far regarding the planning and development process for the

Statewide Hospital Beds. Mr. Chaquica reported that CalMHSA has formed a task force to review and consider how each of the counties can work together jointly on a contract and how to operationalize anything relevant to the operation of the hospital beds program. Mr. Chaquica informed the Committee that the staff report included in the agenda packet provided more detailed information on this matter. CalMHSA has been negotiating with Department of State Hospitals (DSH), and have been successful at moving terms and provisions forward in a positive manner. Mr. Chaquica reported rates for beds will not be increased next year, and the Executive Director of Metro Hospital is permitting ICF beds in addition to acute beds. These two items have potential for considerable savings. Negotiations are still underway regarding guidelines for each county purchasing beds and CalMHSA's role. Mr. Chaquica will be meeting with the DSH in early June and anticipates having something tangible and objective to report to the Board Members in June.

The board approved pursuit of the development of the State Hospital Bed Project, outside of the three Statewide initiatives, where in essence the money would come from the participating counties. Each county will need to follow its internal process to approve the costs. Staff is working on a staff report for Los Angeles County as they have the largest share of the costs.

Mr. Chaquica invited further discussion as to how to pay for the development of future projects. One concept being discussed would be to split the development costs between the JPA and interested counties. Tom Sherry, Sutter/Yuba County, suggested low level dues that could help offset development costs as the benefits would affect all members whether they choose to participate fully in a program or not. Committee Chair Gruendl shared the phrasing he used with his board of supervisors explaining he presented the idea as an investment and project specific. He then suggested scheduling further discussion for a future meeting.

10. Finance Committee Teleconference Calendar Fiscal Year 2013-2014

Committee Chair Gruendl reviewed the calendar prepared by staff, and agreed on its contents.

**Action: Approval of the proposed Finance Committee Teleconference Calendar for Fiscal Year 2013-2014**

Committee Chair Gruendl asked if there were any general public or closing comments. Hearing none, the call was adjourned at 3:08 p.m.



*"A George Hills Company Administered JPA"*

## Treasurer's Report

As of June 30, 2013

	<b>Book Balance</b>	<b>Market Value</b>	<b>Effective Yield</b>
Local Agency Investment Fund	\$14,013,591	\$14,017,420	.244%
Morgan Stanley Smith Barney	81,377,953	81,435,859	1.70%
Cash with California Bank & Trust	216,032	216,032	0.00%
<b>Total Cash and Investments</b>	<b>\$95,607,577</b>	<b>\$95,669,311</b>	

Attached are the Local Agency Investment Fund (LAIF) statements detailing all investment transactions.

The LAIF market value was derived by applying the March fair value factor of 1.0002732070 to the book balance.

I certify that this report reflects all cash and investments and is in conformance with the Authority's Investment Policy. The investment program herein shown provides sufficient cash flow liquidity to meet the Authority's expenditures for the next six (6) months.

Respectfully submitted,

Accepted,

  
\_\_\_\_\_  
Kim Santin, Finance Director

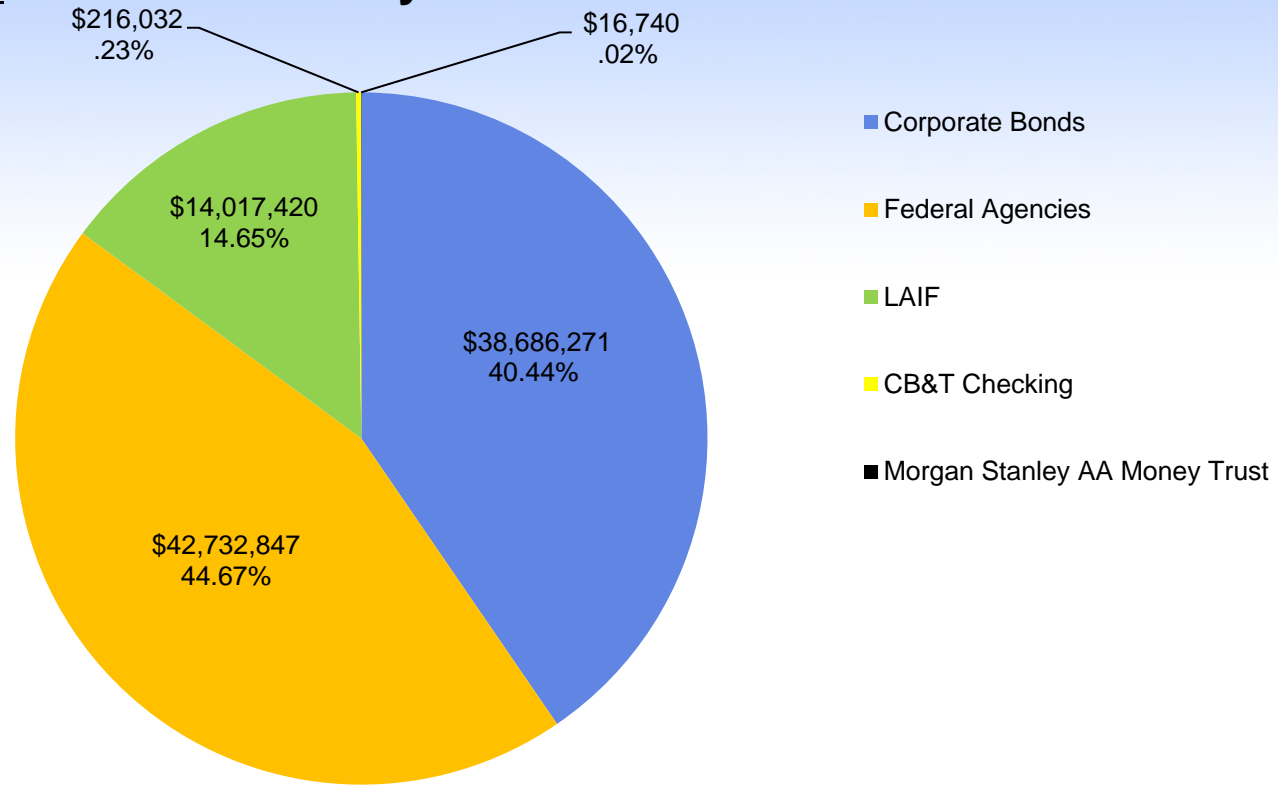
\_\_\_\_\_  
Scott Gruendl, Treasurer

# Total Cash Portfolio Dollars – June 30, 2013

## Investment Policy Objectives

- Safety of Principal
- Meeting Liquidity Needs
- Rate of Return

## Summary of Investment Portfolio



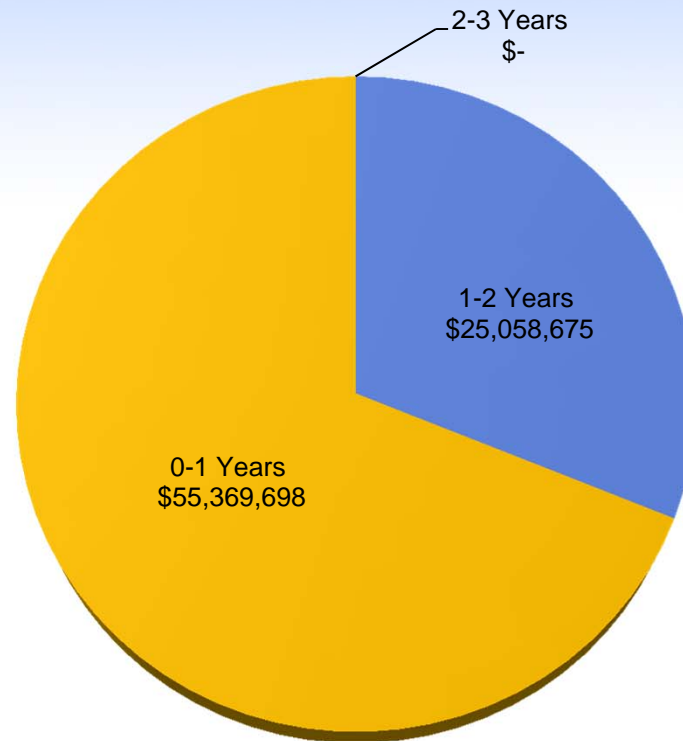
Total Cash and Investments \$95,669,310

Compassion. Action. Change.



# Total Cash Portfolio Dollars – June 30, 2013

## Summary of Maturities



Total Investments \$81,419,119

Compassion. Action. Change.





**CALMHSA'S QUARTERLY TREASURER'S REPORT  
AS OF JUNE 30, 2013**

	Date of Purchase	Date of Maturity	Par Value	Adjusted Cost	Market Value	YTM (at Cost)	YTM (at Market)	YTD Unrealized Gains/(Losses)
<b>INVESTMENTS</b>								
<b>Corporate Bonds:</b>								
PepsiCo Inc/NC	1/20/2012	10/25/2013	4,950,000	4,956,664	4,956,633	0.87%	0.87%	(31)
Westpac Bking Corp NY	12/3/2012	12/3/2013	5,000,000	5,000,000	5,003,700	0.38%	0.38%	3,700
General Electric Capital Corp	3/14/2013	9/15/2014	2,820,000	2,959,637	2,954,740	4.53%	4.53%	(4,897)
John Deere Capital Corp	1/20/2012	3/3/2014	2,275,000	2,289,023	2,293,496	1.59%	1.59%	4,473
Royal Bank of Canada NY	4/19/2013	4/17/2014	5,000,000	5,000,000	5,001,400	0.29%	0.29%	1,400
Bank of New York Mellon	1/20/2012	5/15/2014	2,760,000	2,841,309	2,852,736	4.18%	4.16%	11,427
JPMorgan Chase & Co	1/20/2012	6/1/2014	2,795,000	2,867,396	2,895,313	4.53%	4.49%	27,917
Walt Disney Company	5/17/2013	12/1/2014	4,000,000	4,031,811	4,022,080	0.87%	0.87%	(9,731)
Wells Fargo Company	5/17/2013	2/13/2015	4,000,000	4,043,384	4,022,840	1.24%	1.24%	(20,544)
Coca-Cola Co	12/13/2012	3/13/2015	4,667,000	4,686,715	4,683,335	0.75%	0.75%	(3,381)
Total corporate bonds			<u>38,267,000</u>	<u>38,675,939</u>	<u>38,686,271</u>	1.59%	1.59%	<u>10,332</u>
<b>Federal Agencies</b>								
FHLB Notes .5%	1/20/2012	8/28/2013	4,970,000	4,971,604	4,972,833	0.50%	0.50%	1,229
FHLMC Notes 4.5%	1/20/2012	7/15/2013	4,700,000	4,707,761	4,708,037	4.49%	4.49%	276
FHLMC 5%	1/20/2012	7/15/2014	2,695,000	2,820,816	2,828,079	4.78%	4.76%	7,263
FNMA .5%	1/20/2012	8/9/2013	4,970,000	4,971,085	4,971,889	0.50%	0.50%	803
FNMA DEBS 4.125%	1/20/2012	4/15/2014	2,740,000	2,819,445	2,824,365	4.01%	4.00%	4,920
FHLMC 1%	1/20/2012	7/30/2014	2,940,000	2,956,031	2,964,549	0.99%	0.99%	8,518
FHLMC .375%	1/20/2012	10/30/2013	4,990,000	4,990,411	4,993,693	0.37%	0.37%	3,281
FNMA 2.75%	1/20/2012	2/5/2014	2,825,000	2,863,963	2,868,901	2.71%	2.71%	4,938
FNMA MED 2.75%	6/6/2012	12/18/2013	650,000	651,303	651,905	0.75%	0.75%	602
FNMA 3%	1/20/2012	9/16/2014	2,785,000	2,867,487	2,878,437	2.91%	2.90%	10,950
FHLB Notes .25%	6/10/2013	2/20/2015	3,100,000	3,096,435	3,095,629	0.25%	0.25%	(806)
FNMA .75%	1/20/2012	12/18/2013	4,960,000	4,968,934	4,974,533	0.75%	0.75%	5,598
Total government & GSE bonds			<u>42,325,000</u>	<u>42,685,274</u>	<u>42,732,847</u>	1.80%	1.80%	<u>47,573</u>
Total Portfolio Investments			80,592,000	81,361,213	81,419,119			57,906
Local Agency Investment Fund (LAIF)			-	14,013,591	14,017,420			-
Morgan Stanley AA Money Trust			-	16,740	16,740			-
Checking Account			-	216,032	216,032			-
Total Cash and Investments			80,592,000	95,607,577	95,669,311			57,906

\*Government Sponsored Entity

Summary of Portfolio Investments		Year to Date Activity of		NOTES:
Corporate Bonds	38,686,271	Fair Market Value 7/1/12	90,699,394	Market Value is an approximation of the total worth of the asset, and fluctuates on a daily basis depending on market factors. YTM at Cost is the constant interest rate that makes the net present value of future principals & interest cash flows equal the purchase price of the security on the acquisition date. YTM at Market is the constant interest rate that makes the net present value of future principal & interest cash flows equal the current market price of the security. Market values and Yields are from the following sources: Morgan Stanley Smith Barney Financial Management Account Summaries; all investments are in compliance with CalMHSA's current investment policy. CalMHSA has sufficient funds to meet its expenditure requirements for the next six months.
Federal Agencies	42,732,847	Purchases	54,259,033	
		Sales/Maturities	(62,394,097)	
	81,419,119	Net Unrealized Gains(Losses)	(1,145,212)	
		Fair Market Value 6/30/13	81,419,119	
1-2 year	\$ 27,449,688			
0-1 year	53,969,431			
	<u>\$ 81,419,119</u>			



**James Marta & Company**  
**Certified Public Accountants**

*Accounting, Auditing, Consulting, and Tax*

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June 11, 2012

Kim Santin, CPA  
Finance and Administration Director  
George Hills Company, Inc.  
3043 Gold Canal Drive, Suite 200  
Rancho Cordova, California 95670-6394

Re: California Mental Health Services Authority

We are pleased to confirm our understanding of the services we are to provide for California Mental Health Services Authority for the years ending June 30, 2012, 2013 and 2014.

**I. SCOPE OF WORK**

We have been engaged to perform an audit of California Mental Health Services Authority's general purpose financial statements as of June 30, 2012, 2013 and 2014. The purpose of the audit is to express an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles, and is limited to the period covered by our audit.

**II. MANAGEMENT'S RESPONSIBILITIES**

At the outset, it is imperative that we state the scope of your responsibilities in connection with this engagement. The financial statements are the responsibility of California Mental Health Services Authority's management. Encompassed in that responsibility is the establishment and maintenance of effective internal control over financial reporting, the establishment and maintenance of proper accounting records, and the selection of appropriate accounting principles.

Management is responsible for the design and implementation of programs and controls to prevent or detect fraud, and for informing us about all known or suspected fraud affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, management is responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

We will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. You are responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

As part of our engagement we may propose standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on your financial statements. Further, you are responsible for designating a qualified management-level individual to be responsible and accountable for overseeing these services.

### **III. OUR RESPONSIBILITY**

Our responsibility is to express an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles, and is limited to the period covered by our audit. Facts and circumstances may require us to qualify that opinion, or to disclaim it, or to express an adverse opinion. Other facts and circumstances may require us to provide additional information in our report. We will keep you informed if and when we begin to reach conclusions that our report may need to be modified because of such facts and circumstances.

### **IV. CHARACTER AND LIMITATIONS OF AN AUDIT**

Our audit will be conducted in accordance with Auditing Standards Generally Accepted in the United States of America (GAAS) and Government Auditing Standards. Those standards require that we initially assess the risk that errors, fraud, irregularities, and illegal acts may cause the financial statements to contain a material misstatement. This is necessary because we do not audit all the transactions and balances in the financial statements, only a selected portion of them, in some cases a very small portion. The costs for us to examine a large portion of them, or all of them of a certain category, or all of them in all categories, would be prohibitive. Consequently, there are risks.

In making this initial assessment, we are required to obtain an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of financial statements and to design appropriate audit procedures. Those considerations mandate your complete cooperation and honesty about your knowledge and understanding of the possibility of the existence of errors, fraud, irregularities and illegal acts. By signing this letter, you agree that you will provide this cooperation and that you will be totally honest with us.

Based on that assessment, the standards require us to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by errors, fraud, irregularities and illegal acts. Accordingly, a material misstatement may remain undetected. While we are required to exercise due care and professional skepticism, since our opinion is based on the concept of reasonable assurance, we are not an insurer and our report does not constitute a guarantee. We will inform you of all matters of fraud that come to our attention. We will also inform you of illegal acts that come to our attention, unless they are clearly inconsequential. We will inform you of any need to extend our procedures because of them and our estimate of their additional cost.

The discovery, subsequent to the date of the auditor's report, that one or more errors, frauds, irregularities, or illegal acts causing the financial statements to contain one or more material misstatements, have occurred does not necessarily mean that our audit was not conducted in accordance with generally accepted auditing standards.

An audit includes obtaining an understanding of internal control sufficient to plan the audit, but is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, if we become aware of such reportable conditions or ways that we believe management practices can be improved, we will communicate them to you in a separate letter.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, legal counsel, creditors, and financial institutions.

The District's management hereby promises that it will make every diligent effort to maintain proper books and records that accurately reflect its business activities, that it will be completely truthful with us and that we may rely upon both oral and written statements and responses to questions. Management further promises to immediately advise us if it becomes aware of any inaccuracy in the record-keeping or dishonesty in any of its business dealings, including its statements to us. Management acknowledges that the promises are the cornerstone of its relationship with us and are made to induce us to accept this audit engagement, and that we would not accept this audit engagement without such promises.

Management is responsible for making all financial records and related information available for purposes of the audit. In the event that the financial information provided is incomplete or inaccurate, then we will either complete the work at our standard rate, or delay the audit until this information is complete and accurate.

At the conclusion of our audit, we will require you to furnish us a management representation letter confirming, among others, your responsibility for your financial statements and for the design and implementation of programs and controls to prevent and detect fraud. This letter is a required audit procedure prior to issuing our report. By signing this engagement letter and furnishing a management representation letter, you agree to indemnify us and hold us harmless for any liability and costs arising from knowing misrepresentations by management.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance will not be an objective of the audit and, therefore, no such opinion will be expressed.

## **V. OTHER STIPULATIONS**

### **Fees**

Our fees for the audits will be \$9,800, \$10,200 and \$10,500 for fiscal years ending June 30, 2012, 2013 and 2014, respectively. This fee includes the costs of a board presentation in Sacramento County, additional cost will be added for time and travel expense to an alternate location. Invoices are payable upon presentation. Unpaid fee balances 30 days over due will bear interest at 18 percent per annum.

Whenever possible, we will attempt to use your organization's personnel to assist in the preparation of schedules and analyses of accounts. We understand that your employees will prepare all cash or other confirmations we request and will locate any invoices selected by us for testing. This effort could substantially reduce our time requirements, facilitate the timely conclusion of the audit, and help you hold down audit fees. If assistance is not provided or accounting is not complete and we must complete these items, the additional time and costs will be charged at our standard hourly rates.

Our initial fee estimate assumes we will receive the aforementioned assistance from your personnel and unexpected circumstances will not be encountered. In the event that the GASB, FASB, AICPA, GAO, OMB, or the State issues additional standards or audit procedures that require additional work during the audit period, we will discuss these requirements with you before proceeding further. Before starting the additional work, we will prepare an estimate of the time necessary, as well as the fee for performing the additional work. Our fee for addressing the additional requirements will be our standard hourly rates for each person involved in the additional work.

### **Reports**

We will provide you with 15 copies of the report. If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

You agree to distribute the report to those charged with governance and the appropriate officials of the responsible party.

### **Working Papers**

The working papers for this engagement are the property of James Marta & Company and constitute confidential information. However, we may be requested to make certain working papers available or provide copies of them to certain regulators pursuant to authority given to it by law or regulation. If requested, access to such working papers will be provided under the supervision of James Marta & Company.

We agree to retain our workpapers related to this audit for a period of at least seven (7) years from the date of our report.

### **Mediation Provision**

Disputes arising under this agreement (including scope, nature, and quality of services to be performed by us, our fees and other terms of the engagement) shall be submitted to mediation. A competent and impartial third party, acceptable to both parties shall be appointed to mediate, and each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator's first meeting with the involved parties. If the dispute requires litigation, the court shall be authorized to impose all defense costs against any non-prevailing party found not to have participated in the mediation process in good faith.

Several technical accounting and auditing words and phrases have been used herein. We presume you to understand their meaning or that you will notify us otherwise so that we can furnish appropriate explanations.

If the foregoing is in accordance with your understanding, please indicate your agreement by signing the duplicate copy of this letter and returning it to us.

We appreciate the opportunity to serve you and look forward to working with you and your staff.



James Marta & Company

RESPONSE:

This letter correctly sets forth our understanding.

Approved by: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**State Hospital Beds**

## Planning, Development and Operation Cost Projections

County	Bed Count	Billed <sup>1</sup>	Operations*	Estimate for Additional Planning & Development 2013-14*	Total
Butte	0	-	-	-	-
Contra Costa	0	-	-	-	-
Fresno	1	284.26	1,393.00	155.00	1,548.00
Kern	8	2,274.08	11,146.00	1,238.00	12,384.00
Kings	1	284.26	1,393.00	155.00	1,548.00
Lake	2	568.52	2,786.00	310.00	3,096.00
Los Angeles	197	55,999.22	274,456.00	30,496.00	304,952.00
Madera	1	284.26	1,393.00	155.00	1,548.00
Marin	4	1,137.04	5,573.00	619.00	6,192.00
Mendocino	1	284.26	1,393.00	155.00	1,548.00
Monterey	4	1,137.04	5,573.00	619.00	6,192.00
Napa	3	852.78	4,180.00	464.00	4,644.00
Orange	17	4,832.42	23,684.00	2,632.00	26,316.00
Placer	3	852.78	4,180.00	464.00	4,644.00
Riverside	19	5,400.94	26,471.00	2,941.00	29,412.00
Sacramento	18	5,116.68	25,077.00	2,786.00	27,863.00
San Bernardino	12	3,409.92	16,719.00	1,858.00	18,577.00
San Diego	16	4,548.16	22,291.00	2,477.00	24,768.00
San Joaquin	3	852.78	4,180.00	464.00	4,644.00
Santa Cruz	1	284.26	1,393.00	155.00	1,548.00
Solano	3	852.78	4,180.00	464.00	4,644.00
Stanislaus	3	852.78	4,180.00	464.00	4,644.00
Tulare	6	1,705.50	8,359.00	929.00	9,288.00
<b>TOTAL</b>	<b>331</b>	<b>\$94,088.88</b>	<b>\$450,000</b>	<b>\$50,000</b>	<b>\$500,000</b>

\*Rounded to the nearest dollar.

Updated 6/25/13

<sup>1</sup> Represents actual costs through April 30, 2013 and projected through June 30, 2013. Any unspent funds will be carried over and no additional invoicing will occur.