

California Mental Health Services Authority
FINANCE COMMITTEE TELECONFERENCE
AGENDA

December 5, 2016
3:00 p.m. – 4:00 p.m.

Dial-in Number: 916-233-1968
Access Code: 3043



CalMHSA

3043 Gold Canal Drive, Suite 200
Rancho Cordova, CA 95670

Madera County

209 E. 7th Street
Madera, CA 93639

Sonoma County

3322 Chanate Road
Santa Rosa, CA 95404

Riverside County

4095 County Circle Drive, MS #3790
Riverside, CA 92503

Colusa County

162 E. Carson Street, Suite A
Colusa, CA 95932

Kern County Mental Health

2001 28th Street
Bakersfield, CA 93301

Los Angeles County

550 S. Vermont Avenue, 10th Floor
Los Angeles, CA 90020

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact Laura Li at (916) 859-4818 (telephone) or (916) 859-4805 (facsimile). Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Materials relating to an item on this agenda submitted to this Board after distribution of the agenda packet are available for public inspection at 3043 Gold Canal Drive, Suite 200, Rancho Cordova, CA, 95670, during normal business hours.

FINANCE COMMITTEE MEETING

1. CALL TO ORDER

2. ROLL CALL AND PUBLIC COMMENT INSTRUCTION

The Committee welcomes and encourages public participation in its meetings. This time is reserved for members of the public (including stakeholders) to address the Committee concerning matters on the agenda. 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.

For agenda items, public comment will be invited at the time those items are addressed. Each interested party is to complete the Public Comment Card and provide it to CalMHSA staff prior to start of item. 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 President may announce the maximum amount of time that will be allowed for presentation of testimony on that item. Comment cards will be retained as a matter of public record.

3. CONSENT CALENDAR.....3

A. Routine Matters

a. Minutes from the November 14, 2016 Finance Committee Teleconference

b. Program Payments

Recommendation: Approval of the consent calendar.

4. REVIEW OF DRAFT FINANCIAL AUDIT.....9

A. Draft Financial Audit of Fiscal Year ending June 30, 2016

Recommendation: Finance Committee to discuss and/or recommend to the Board of Directors filing of the draft Financial Audit.

5. CALMHSA FINANCIAL STATEMENT FOR QUARTER ENDING SEPTEMBER 30, 2016.....40

Recommendation: Approval of the CalMHSA Financial Statement for the quarter ending September 30, 2016 for presentation at the next scheduled Board of Directors Meeting.

6. COMPLEXITIES RELATED TO NON PAYING COUNTIES.....45

A. Non Paying Counties

Recommendation: Discuss and approve one of the proposed solutions for addressing the issue of member counties benefitting from certain CalMHSA managed programs, of which they do not financially contribute.

7. EXECUTIVE DIRECTOR FINANCE REPORT.....50

A. Strategic Development of 2016/2017 Revenue

B. Other Financial Matters

Recommendation: None, information only.

8. PUBLIC COMMENT

This time is reserved for members of the public to address the Committee relative to matters of CalMHSA not on the agenda. No action may be taken on non-agenda items unless authorized by law. Comments will be limited to three minutes per person and twenty minutes in total. The Committee may also limit public comment time regarding agenda items, if necessary, due to a lengthy agenda.

9. CLOSING COMMENTS

10. ADJOURNMENT

Agenda Item 3

SUBJECT: CONSENT CALENDAR

ACTION FOR CONSIDERATION:

Approval of the Consent Calendar.

BACKGROUND AND STATUS:

The Consent Calendar consists of items that require approval or acceptance but are self-explanatory and require no discussion. If the Finance Committee would like to discuss any item listed, it may be pulled from the Consent Calendar.

A. Routine Matters

- a. Minutes from the November 14, 2016 Finance Committee Teleconference

B. Reports/Correspondence

- a. Program Payments

FISCAL IMPACT:

None.

RECOMMENDATION:

Approval of the Consent Calendar.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIALS ATTACHED:

- Minutes from the November 14, 2016 Finance Committee Teleconference
- Program Payments



CalMHSAs Finance Committee

TELECONFERENCE MINUTES FROM NOVEMBER 14, 2016

Finance Committee Members

Present

- Bill Walker, CalMHSAs Treasurer, Kern County
- Dennis P. Koch, Madera County
- Michael Lucid, Sonoma County
- Dr. William Arroyo, Los Angeles County
- Terence M. Rooney, Colusa County

Absent

- Steve Steinberg, Riverside County

CalMHSAs Staff

- Wayne Clark, Executive Director
- John Chaquica, Chief Operating Officer
- Kim Santin, Finance Director
- Ann Collentine, Program Director
- Laura Li, JPA Administrative Manager
- Theresa Ly, Program Manager
- Doug Alliston, CalMHSAs Legal Counsel, Murphy Campbell Alliston & Quinn
- Armando Bastida, Executive Assistant

1. **Call to Order**

The CalMHSA Finance Committee teleconference was called to order at 3:02 p.m. on November 11, 2016 by Finance Committee Chair Bill Walker, Kern County.

2. **Roll Call and Public Comment Instructions**

JPA Administrative Manager, Laura Li, CalMHSA, called roll and a quorum was established. All participants were asked to introduce themselves. Treasurer, Bill Walker, Kern County, proceeded to review the public comment instructions, noting that items not on the agenda would be reserved for public comment at the end of the meeting.

3. **Consent Calendar**

Treasurer, Bill Walker asked the committee for any changes to the following items:

Routine Matters:

- Minutes from the September 26, 2016 Finance Committee Teleconference

Reports/Correspondence:

- Program Payments
- Treasurer's Report as of September 2016

None were proposed.

Action: Approval of the consent calendar.

Motion: Michael Lucid, Sonoma County

Seconded: William Arroyo, Los Angeles County

Public comment was heard from the following individual(s):

None

4. **Cash Flow Management as of October 31, 2016**

Treasurer, Bill Walker provided a brief overview of the current cash balance and projected cash flow. Cash Balance at the end of October is \$10.6 million. Finance Director, Kim Santin provided an overview of projected cash flow and indicated revisions are included in the projections. Additionally, Ms. Santin confirmed invoices for fund development (LCG) had been distributed via certified mail to all county Behavioral Health Directors, on November 4, 2016, however no payments have been received as of yet.

Action: For information and discussion.

Public comment was heard from the following individual(s):

None

5. **New Three Year Financial Sustainability Plan for the Statewide PEI Project**

Treasurer, Bill Walker provided an overview of the three year financial sustainability plan for statewide PEI projects and noted the importance of emphasizing counties could use non MHSA funds for this contribution. He reiterated the recommendation for local funding from counties being 4%.

Both Mr. Walker and Dr. Wayne Clark, noted that in recent conversations with other county members, given the challenges of the invoicing process, some members would prefer to have 1% of MHSA funds taken off the top in order to reduce the burden on counties. They emphasized that the 1% solution would appeal more to new directors who have not dealt with Board of Supervisors, would promote fairness since each county would be contributing the same percentage and would allow counties to have equal buy in to all the projects.

After extensive discussion the committee members agreed to recommend the three year financial sustainability plan for statewide PEI projects and directed staff to explore funding from the 1% off the top MHSA funds

Action: Recommend the three year financial sustainability plan for statewide PEI projects to the Board of Directors and direct staff to explore funding Statewide PEI Projects from the 1% distribution formula off the top of MHSA funds.

Motion: Michael Lucid, Sonoma County

Seconded: Terence M. Rooney, Colusa County

Public comment was heard from the following individual(s):

None

6. **Complexities Related to Non-paying Counties**

Treasurer, Bill Walker provided an overview of the complexities related to non-paying counties. The discussion centered on fairness of all counties contributing 4% versus the reality that counties are not contributing and still reaping the rewards. Given the many factors for consideration, topic will be presented to the Board of Directors.

Action: Discuss and provide direction to staff for Board discussion at December 15, 2016 Board of Directors Meeting.

Motion: Dennis P. Koch, Madera County

Second: William Arroyo, Los Angeles County

Public comment was heard from the following individual(s):

None

7. **CalMHSA Executive Director Finance Report**

Executive Director, Wayne Clark, informed the group that the Lester Consulting Group contract has been executed and will begin in December.

Action: None, information only.

Public comment was heard from the following individual(s):

None

8. **General Public Comment**

This time is reserved for members of the public to address the Committee relative to matters of CalMHSA not on the agenda. No action may be taken on non-agenda items unless authorized by law. Comments will be limited to three minutes per person and twenty minutes in total. The Committee may also limit public comment time regarding agenda items, if necessary, due to a lengthy agenda.

Public comment was heard from the following individual(s):

None

9. **Closing Comments**

Treasurer, Bill Walker asked for any closing comments.

10. **Adjournment**

With no further comments, the meeting was adjourned at 4:07 p.m.

Program Payments

	PEI			State Hospitals	
	FY 16-17 LOA Rcvd & Funding Projected	(Phase II)	PHASE II Funding Received FY 16-17	Annual Operation Costs FY 16-17	Funding Received FY 16-17
County	\$	%	\$	\$	\$
Alameda County	\$ 290,883.00	3%	\$ 290,883.00	\$ 29,442.00	\$ 29,442.00
Alpine County	\$ 15,000.00	7%	\$ 15,000.00		
*Amador County					
Butte County	\$ 25,000.00		\$ 25,000.00	\$ 1,402.00	\$ 1,402.00
*Calaveras County					
City of Berkeley					
Colusa County	\$ 11,414.00		\$ 11,414.00		
Contra Costa County				\$ 29,442.00	\$ 29,442.00
Del Norte County					
El Dorado County	\$ 9,471.00	1%	\$ 9,471.00	\$ 1,402.00	\$ 1,402.00
Fresno County	\$ 455,864.02	7%	\$ 455,864.02	\$ 1,402.00	\$ 1,402.00
Glenn County	\$ 18,000.00	3%	\$ 18,000.00		
Humboldt County	\$ 8,198.31		\$ 8,198.31	\$ 1,402.00	\$ 1,402.00
Imperial County	\$ 48,915.00	4%	\$ 48,915.00	\$ 4,206.00	\$ 4,206.00
Inyo County					
Kern County	\$ 120,019.19	2%	\$ 120,019.19	\$ 11,216.00	\$ 11,216.00
Kings County	\$ 48,373.00	5%	\$ 48,373.00	\$ 1,402.00	\$ 1,402.00
Lake County					
Lassen County	\$ 11,000.00	4%	\$ 11,000.00		
Los Angeles County				\$ 269,000.00	
Madera County	\$ 15,200.00	2%	\$ 15,200.00	\$ 1,402.00	\$ 1,402.00
Marin County	\$ 75,000.00	5%	\$ 75,000.00	\$ 5,608.00	\$ 5,608.00
Mariposa County					
Mendocino County	\$ 8,625.00	1%	\$ 8,625.00		
*Merced County					
Modoc County	\$ 6,522.00	4%	\$ 6,522.00		
Mono County					
Monterey County	\$ 252,000.00	7%	\$ 252,000.00	\$ 5,608.00	\$ 5,608.00
Napa County	\$ 10,471.00	1%	\$ 10,471.00	\$ 4,206.00	\$ 4,206.00
Nevada County	\$ 5,000.00	1%	\$ 5,000.00		
Orange County	\$ 900,000.00	4%	\$ 900,000.00	\$ 23,834.00	\$ 23,834.00
Placer County	\$ 162,000.00	6%	\$ 162,000.00	\$ 4,206.00	\$ 4,206.00
Plumas County	\$ 25,000.00	6%	\$ 25,000.00		
Riverside County	\$ 526,379.00	4%	\$ 526,379.00	\$ 26,638.00	\$ 26,638.00
Sacramento County	\$ 320,325.00	3%	\$ 320,325.00	\$ 25,236.00	\$ 25,236.00
San Benito County					
San Bernardino County	\$ 561,894.00	4%	\$ 561,894.00		
San Diego County	\$ 400,000.00	1%	\$ 400,000.00	\$ 22,432.00	\$ 22,432.00
San Francisco City And County	\$ 100,000.00	2%	\$ 100,000.00		
San Joaquin County	\$ 174,662.54	4%		\$ 4,206.00	\$ 4,206.00
San Luis Obispo County	\$ 67,308.00	4%	\$ 67,308.00	\$ 1,402.00	\$ 1,402.00
San Mateo County	\$ 95,965.00	2%	\$ 95,965.00	\$ 7,010.00	\$ 7,010.00
Santa Barbara County	\$ 5,000.00	0.10%	\$ 5,000.00	\$ 1,402.00	\$ 1,402.00
Santa Clara County				\$ 51,874.00	
Santa Cruz County				\$ 1,402.00	\$ 1,402.00
Shasta County	\$ 13,000.00	1%	\$ 13,000.00		
*Sierra County					
Siskiyou County					
Solano County	\$ 60,611.00	2%	\$ 60,611.00	\$ 4,206.00	\$ 4,206.00
Sonoma County	\$ 109,200.00	2.78%	\$ 109,200.00	\$ 1,402.00	\$ 1,402.00
Stanislaus County				\$ 4,206.00	\$ 4,206.00
Sutter/Yuba County	\$ 39,185.00	4%	\$ 39,185.00		
*Tehama County					
Tri-City Mental Health Center	\$ 15,181.00	1%	\$ 7,590.50		
Trinity County	\$ 10,000.00	4%	\$ 10,000.00		
Tulare County	\$ 31,443.17	1%	\$ 31,443.17	\$ 4,206.00	\$ 4,206.00
Tuolumne County	\$ 16,715.00	5%	\$ 16,715.00		
Ventura County	\$ 53,500.00	1%	\$ 53,500.00	\$ 1,402.00	\$ 1,402.00
Yolo County	\$ 35,000.00	2.2%	\$ 35,000.00	\$ 1,402.00	\$ 1,402.00
TOTAL	\$ 5,157,324.23	3%	\$ 4,975,071.19	\$ 553,606.00	\$ 232,732.00
Balance Due			\$ 182,253.04		\$ 320,874.00

Agenda Item 4

SUBJECT: REVIEW OF DRAFT FINANCIAL AUDIT

ACTION FOR CONSIDERATION:

Finance Committee to discuss and/or recommend to the Board of Directors filing of the draft Financial Audit.

BACKGROUND AND STATUS:

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,” James Marta & Company has provided a first draft of their audit of CalMHSA’s financial statements for the year ending June 30, 2016 and 2015.

FISCAL IMPACT:

None.

RECOMMENDATION:

Finance Committee to discuss and/or recommend to the Board of Directors filing of the draft Financial Audit.

TYPE OF VOTE REQUIRED:

Majority vote of the Finance Committee.

REFERENCE MATERIAL(S) ATTACHED:

- Draft Financial Audit of Fiscal Year ending June 30, 2016 and 2015

**CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2016 AND 2015**

DRAFT



California Mental Health Services Authority

Board of Directors

JUNE 30, 2016

Executive Committee

Terence M. Rooney, PhD	President	Colusa County
Dawan Utecht	Vice President	Fresno County
Michael Kennedy, MFT	Secretary	Sonoma County
Bill Walker	Treasurer	Kern County
Rita Austin, LCSW	Central Region	Tuolumne County
Robin Kay	Los Angeles Region	Los Angeles County
Mary Hale	Southern Region	Orange County
Alfredo Aguirre, LCSW	Southern Region	San Diego County
Karen Stockton, PhD, MSW	Superior Region	Modoc County
Dorian Kittrell	Superior Region	Butte County

Board Members

Manuel Jimenez	Alameda County	Steve Steinberg	Plumas County
Alissa Nourse	Alpine County	Uma Zykofsky, LCSW	Sacramento County
Steven Grolnic-McClurg, LCSW	City of Berkeley	Allan Yamamoto, LCSW	San Benito County
Cynthia Belon, LCSW	Contra Costa County	Veronica Kelley, LSCW	San Bernardino County
Jack Braeazeal	Del Norte County	Marlo Simmons, MPH	San Francisco City and County
Don Ashton	El Dorado County	Jim Garrett	San Joaquin County
Amy Lindsey	Glenn County	Anne Robin, LMFT	San Luis Obispo
Asha George, PhD	Humboldt County	Stephen Kaplan	San Mateo County
Andrea Kuhlen, MPA	Imperial County	Alice Gleghorn, PhD	Santa Barbara County
Gail Zweir, PhD	Inyo County	Toni Tullys	Santa Clara County
Mary Anne Ford Sherman, MA	Kings County	Erik Riera, Med, CAS, MBA	Santa Cruz County
Kevin Thompson, MPA, CATC	Lake County	Donnell Ewert, MPH	Shasta County
Pamela Grosso	Lassen County	Sarah Collard	Siskiyou County
Dennis P. Koch, MPA	Madera County	Halsey Simmons, MFT	Solano County
Suzanne Tavano, PHN, PhD	Marin County	Cherie Dockery	Stanislaus County
Barbara Gatlin	Mariposa County	Tony Hobson	Sutter-Yuba County
Jenine Miller, Psy. D.	Mendocino County	Antonette "Toni" Navarro	Tri-City Mental Health Center
Yvonna Brown, MSW	Merced County	Noel J. O'Neill, MFT	Trinity County
Robin Roberts, MFT	Mono County	Timothy Durick, PsyD	Tulare County
Amie Miller	Monterey County	Elaine Crandall	Ventura County
William J Carter	Napa County	Karen Larsen	Yolo County
Rebecca Slade, LMFT	Nevada County		
Maureen F. Bauman, LCSW			
MPA	Nevada County		

California Mental Health Services Authority

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
California Mental Health Services Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of California Mental Health Services Authority ("CalMHSA") as of and for the fiscal years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise CalMHSA's basic financial statements as listed in the table of contents.

Managements 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.

Auditor's 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 or the minimum requirements prescribed by the State Controller's Office for special district audits. 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 governmental activities and the major fund of California Mental Health Services Authority as of June 30, 2016 and 2015, and the respective changes in financial position for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Statement of Revenues, Expenditures and Change in Fund Balance – Budget (Non-GAAP) and Actual – General Fund – June 30, 2016 and Statement of Revenues, Expenditures and Change in Fund Balance – Budget (Non-GAAP) and Actual – General Fund – June 30, 2015 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 (GASB) 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 principally 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated **DATE** on our consideration of California Mental Health Services Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

DRAFT

James Marta & Company
Certified Public Accountants
Sacramento, California

DATE

MANAGEMENT'S DISCUSSION AND ANALYSIS

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

Management of California Mental Health Services Authority ("CalMHSA") is pleased to present the following discussion and analysis that provides an overview of the financial position and activities of the Authority for the fiscal years ended June 30, 2016 and 2015. The discussion should be read in conjunction with the financial statements and accompanying notes, which follow this section.

Overview of CalMHSA

CalMHSA is an independent administrative and fiscal government agency focused on the efficient delivery of California mental health projects. On June 11, 2009, six California counties established CalMHSA as a Joint Powers Authority (JPA) to jointly develop, fund and implement mental/behavioral health projects and educational programs at the state, regional and local levels. California county members can act alone or in collaboration, to participate in the statewide Prevention and Early Intervention (PEI) projects, contract and/or negotiate with State or other providers for mental hospital beds, contract and/or negotiate with the State or federal government for administration of mental health services, operate program risk pools, technical assistance and capacity building program, workforce education training program, and other projects as deemed appropriate.

CalMHSA is headed by a separate Board of Member Counties and an Executive Committee comprised of officers and Statewide Regional Representatives. It employs the administrative firm, specializing in JPA management, of George Hills Company, Inc. and separate legal counsel of Murphy Campbell Guthrie & Alliston. CalMHSA operates within the statutes governing Joint Powers Agreement entities and complies with the Brown Act open meeting requirements.

As of June 30, 2016, 52 members (50 counties, one city and one JPA) work together to develop, fund and implement PEI programs, on a statewide or regional basis that conform with the "Guidelines for PEI Statewide Programs" issued by the Mental Health Services Oversight and Accountability Commission (MHSOAC).

Background

In 2004, California voters passed Proposition 63 (The Mental Health Services Act) (MHSA), landmark legislation that created an ongoing funding source and a framework for transforming California's traditional community mental health system into a system equipped to support prevention and wellness, and on addressing the unmet needs of California's diverse and underserved population groups with culturally relevant and effective services and education. In 2007, the MHSOAC, which was created as a stipulation of the MHSA to oversee the management of these funds, approved a one-time investment of \$160 million over four-years. Three strategic initiatives were identified through a stakeholder process and approved by the MHSOAC in May 2008, for the distribution of this one-time allocation: \$40 million for Suicide Prevention (SP), \$60 million for Student Mental Health (SMH), and \$60 million for Stigma and Discrimination Reduction (SDR).

On April 15, 2010, CalMHSA executed a contract with the California Department of Mental Health (CDMH) for the amount not to exceed \$160 million. Specifically CalMHSA will, consistent with the requirements of the MHSA and as approved by the MHSOAC and CDMH, develop and implement PEI programs, on a statewide or regional basis that conform with the "Guidelines for PEI Statewide Programs" issued by the MHSOAC and the three State Strategic Plans. This contract was funded exclusively from funds in the "PEI State-Administered Projects Planning Estimates", now called the "PEI State-Administered Component Allocations", published on September 11, 2008. The term of this contract was April 15, 2010 through June 30, 2014. In January 2011, the MHSOAC approved the

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

CalMHSA PEI Statewide Projects Implementation Work Plan. A total of 25 providers were identified through an RFP process to implement the Work Plan by June 30, 2014.

Sustainability - Phase I & Phase II

With the end of the four-year period nearing, the CalMHSA Board of Directors adopted a two-phase planning strategy for continuing the investment in statewide PEI efforts. In April 2014, the CalMHSA Board approved a Phase I Funding Plan to sustain the existing Statewide PEI projects through June 30, 2015. Phase I continues some of the current CalMHSA PEI Statewide Projects existing funds and a winding down of others pursuant to the guidance of stakeholders and Board. Phase I was recognized as a short-term sustainability solution for the purpose of providing program partners with additional time to successfully complete their activities and deliverables, and to reduce the risk of any adverse consequences of discontinuing activities (e.g., the ability to measure long-term impact).

In August 2014, the CalMHSA Board approved a Phase II Funding Plan for purpose of continuing work related to PEI projects through June 30, 2017. Funding for Phase I and Phase II is derived from current county members committing a range of 1% to 7% funding from their local PEI funds in addition to CalMHSA seeking other funding to include state and federal resources.

2015/2016 Program Highlights

PEI Sustainability

The Phase II Plan for sustaining CalMHSA Statewide PEI Projects called for \$20 million per year - \$10 million was expected to be raised from county MHSAs contributions, and \$10 million was expected to be raised from state, federal, or foundation funding. In June 2015, board members approved entering into Phase II contracts which would implement PEI activities during FY 15/16 and 16/17.

Despite numerous attempts to find diverse funding to sustain the Phase II Plan, funding for implementation has come solely from counties. This has resulted in a reduced implementation of the Plan based upon priorities set out by the Board. Due to funding constraints, CalMHSA undertook Phase II program reductions after Board approval in August 2016.

Strategic Programs

In addition to the PEI program, the following strategic programs are also included in CalMHSA's operations during the fiscal year ended June 30, 2016:

- **Fiscal Modernization** - the goal of the pilot study is to provide counties with the background and structure necessary to consider the risks and benefits associated with proposing changes to California's current specialty mental health delivery system and financial risk structure.
- **State Hospital Beds** - CalMHSA acts on behalf member counties (and possibly non-member counties via a contract) in the annual purchase contract for State Hospital Beds (as provided under sections 4330 et seq. of WIC).
- **Wellness program** – This program was funded by the County of Plumas. CalMHSA, acting as the contract administrator for the County, has contracted with the Plumas Crisis Intervention Resource Center (PCIRC) to establish Wellness Centers in the communities of Chester, Greenville, Portola and Quincy. These Wellness Center will compliment and build on the existing Family Resource Center Model and will be developed with an understanding of best practices in the delivery of community mental health services.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

- **Suicide Prevention Hotline** – CalMHSA contracted with Kings View Behavioral Health to operate the Central Valley Suicide Prevention Hotline with specialized support and outreach provided to the seven contributing counties of Fresno, Kings, Mariposa, Madera, Merced, Stanislaus and Tulare.
- **Community Response Plan** – CalMHSA contracted with subject matter experts to develop a comprehensive suicide response protocol/toolkit for the rural community of the Tahoe/Truckee area.
- **Psychiatric Nurse Workforce Exploration (PNWE)** – CalMHSA will research and explore opportunities to increase the number of psychiatrists and/or psychiatric Nurse Practitioners in the Central Region. After sharing findings with county representatives on the Central Region sub-committee, CalMHSA may contract with subject matter experts to develop a program that meets the needs of the region.
- **Drug Medi-Cal** – CalMHSA provided Drug Medi-Cal Organized Delivery System (DMC-ODS) Waiver trainings to counties that opted into the DMC-ODS Waiver, counties that received approval to form a regional delivery system, and providers selected by counties to provide DMC-ODS Waiver services.
- **Orange County** – Orange County, Member of CalMHSA, utilized CalMHSA for procuring consulting services, using various providers, for purposes related to completion of the California Health Facilities Financing Authority application and contract procurement for Crisis Stabilization Units.
- **Education Development Center (EDC)** – EDC’s suicide prevention resource center is funded by the Substance Abuse and Mental Health Services Administration to provide suicide prevention services and resources to a variety of professionals. CalMHSA will create a brief set of guidelines to help staff in state and community programs develop culturally competent suicide prevention materials for the audiences they serve, drawing on CalMHSA’s experience tailoring resources for California’s diverse communities.

Financial Highlights for the Fiscal Year Ended June 30, 2016

Revenues	\$ 8.6 million	Revenues increased \$1.4 million over the prior year. The rise in revenues was primarily due to new funding for other strategic programs, notably State Hospital Beds and the Plumas Wellness Center.
Expenses	\$12.5 million	Expenses decreased \$15 million or 55% over the prior year. The budget for current year Phase II sustainability contracts was significantly less than prior year which reflected payments to contractors for final execution of deliverables from the initial PEI and Phase I programs. Expenses continue to exceed revenue to continue the contract obligations and net assets of prior years.
Assets	\$8.8 million	Assets decreased \$6.2 million over the prior year due to payments to contractors made during the year.
Liabilities	\$ 2.3 million	Liabilities decreased \$2.3 million over the prior year. As deliverables were received and contracts were closed out, this resulted in less amounts owed to contractors at year-end.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

Description of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to CalMHSA's financial statements: the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets. The statements are accompanied by footnotes to clarify unique accounting policies and other financial information, and required supplementary information. The assets, liabilities, revenues and expenses of CalMHSA are reported on a full-accrual basis.

The **Statement of Net Assets** presents information on all of CalMHSA's assets and liabilities, with the difference between the two representing net assets (equity). Changes from one year to the next in total net assets as presented on the Statement of Net Assets are based on the activity presented on the Statement of Revenues, Expenses and Changes in Net Assets.

The **Statement of Revenues, Expenses and Changes in Net Assets** is CalMHSA's income statement. Revenues earned and expenses incurred during the year are classified as either "operating" or "nonoperating". All revenues and expenses are recognized as soon as the underlying event occurs, regardless of timing of the related cash flows.

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of CalMHSA's operations and significant accounting policies as well as clarify unique financial information.

Analysis of Overall Financial Position and Results of Operations

The following sections provide additional details on CalMHSA's financial position and activities for fiscal years 2016 and 2015, and a look ahead at economic conditions that may affect CalMHSA in the future.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

I. Statement of Net Assets

	2016	2015	2014	Change Over Prior Year
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 7,713,846	\$ 14,220,664	\$ 875,222	-46%
Investments - current portion			43,931,766	
Contractor prepayments	60,000			
Accounts receivable	1,039,048	788,380	979,768	32%
Total Current Assets	8,812,894	15,009,044	45,786,756	-41%
Investments - Noncurrent				
Total Assets	8,812,894	15,009,044	45,786,756	-41%
LIABILITIES				
Current Liabilities				
Accounts payable	1,541,735	4,481,941	14,992,620	-66%
Deferred revenue	780,361	122,345	39,185	538%
WET Program Funding				
Total Current Liabilities	2,322,096	4,604,286	15,031,805	-50%
RESTRICTED NET POSITION	\$ 6,490,798	\$ 10,404,758	\$ 30,754,951	-38%

Cash and cash equivalents decreased \$6.5 million, from \$14.2 million as of June 30, 2015, to \$7.7 million as of June 30, 2016. CalMHSA's investments of \$43.9 million as of June 30, 2014, matured during the year ended June 30, 2015.

Total assets decreased by \$6.2 million from \$15.0 million at June 30, 2015 to \$8.8 million at June 30, 2016. The assets were expected to decrease as payments to contractors for final deliverables and production of products for Phase I were made.

Liabilities decreased \$2.3 million over the prior year. Most of the final deliverables for Phase I were received and contracts were closed out during the fiscal year ended June 30, 2016. Since payments for these contracts were made during the year, it resulted in less amounts owed to contractors at year-end.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

II. Statement of Revenues, Expenses and Changes in Net Assets

	2016	2015	2014	Change Over Prior Year
Operating revenues	\$ 8,553,192	\$ 7,095,078	\$ 1,462,874	21%
Operating expenses:				
Program expenses	11,827,894	26,200,594	60,500,806	-55%
Indirect expenses	689,831	1,336,150	1,089,271	-48%
Total operating expenses	<u>12,517,725</u>	<u>27,536,744</u>	<u>61,590,077</u>	-55%
Operating income/(loss)	(3,964,533)	(20,441,666)	(60,127,203)	81%
Nonoperating income	<u>50,573</u>	<u>91,473</u>	<u>304,498</u>	-45%
Increase/(decrease) in net assets	(3,913,960)	(20,350,193)	(59,822,705)	
Net position, beginning of year	10,404,758	30,754,951	90,577,656	-66%
Net position, end of year	<u>\$ 6,490,798</u>	<u>\$ 10,404,758</u>	<u>\$ 30,754,951</u>	-38%

For the fiscal year ended, June 30, 2016, total revenue (operating and non-operating) increased by \$1.4 million. Operating revenue increased over fiscal year 2015 primarily due to new funding for other strategic programs, notably the Plumas Wellness Center (\$1 million) and the Suicide Prevention Hotline (\$627 thousand) as well as an increase in State Hospital Bed funding (increase of \$468 thousand). These increases were offset by decreases in funding for current year Phase II versus prior year Phase I (\$331 thousand decrease) as well as revenue related to the 2015 International SDR Conference (\$367 thousand).

Operating expenses were \$12.5 million in fiscal year 2016. This was a \$15.0 million or 55% decrease compared to 2015. The budget for current year Phase II sustainability contracts was significantly less than prior year which reflected payments to contractors for final execution of deliverables from the initial PEI and Phase I programs.

Description of Facts or Conditions that are expected to have a Significant Effect on Financial Position or Results of Operations

While the CalMHSA Statewide PEI Project has made significant accomplishments since its inception in 2011, there continues to be a critical need to continue the investment over the long term. The CalMHSA Statewide PEI Project, Phase II Plan, adopted by the Board in August 2014, proposed diversifying the

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

funding base for statewide projects to include private support. Additionally, the Board directed staff to seek private funding. While Staff worked diligently to seek private funding from foundations and donors, to date the effort has been unsuccessful. Thus, during 2016 a feasibility study was conducted for the purpose of ascertaining potential private interest and support of CalMHSA Statewide PEI Project via a subcontract with a known expert in fund raising.

Positive outcomes were derived from the feasibility study indicating there is private interest in possibly funding the Statewide PEI Project, and great interest in the development of a Leadership Council that would help guide efforts towards a fund-raising campaign. Additionally, the feasibility study has made it clear that private parties intend to only support activities, not supplant the current funding, and will supplement commensurate with county funding. This requires that counties commit to maintain and build a level of funding in order to secure and leverage those additional private funds—estimated county support to eventually reach \$15 million per year. Additionally, it will require county funding for an annual budget line item to for contract services for the purposes of fund development for the next three years.

The ultimate private funding goal is to obtain at minimum \$15 million per year, for five years, for a total of \$75 million, with similar leveraged amounts by county members. By doing so, staff expects that the relationships built during this effort will help maintain ongoing future funding.

Through implementation of the Phase III CalMHSA Statewide PEI Project Plan, CalMHSA and its member counties will embark on the 7th year of CalMHSA Statewide PEI Project activities. Building on the momentum of the current Phase II Plan, the Phase III Plan will extend key activities which have shown positive short-term outcomes while allowing CalMHSA the time necessary to again seek input from counties and other stakeholders (including from the new Leadership Council) to further refine a long-term Statewide PEI Plan to prevent mental illness from becoming severe and disabling. Prevention and public oriented efforts require long term investments and commitment to ensure the achievement of long term goals.

BASIC FINANCIAL STATEMENTS

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

**GOVERNMENTAL FUND BALANCE SHEET -
STATEMENT OF NET POSITION**

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,713,846	\$ 14,220,664
Contractor prepayments	60,000	-
Receivables	1,039,048	788,380
Total Current Assets	<u>\$ 8,812,894</u>	<u>\$ 15,009,044</u>
 LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 1,541,735	\$ 4,481,941
Unearned revenue	780,361	122,345
Total Current Liabilities	<u>2,322,096</u>	<u>4,604,286</u>
 FUND BALANCE / NET POSITION		
Net Postion:		
Operations	776,519	823,361
Obligated Funds Under Contract:		
International SDR Conference	(50,113)	(26,578)
Tech Asst/Capacity Building	203,272	203,448
WET Program Funding	148,470	148,470
Fiscal Modernization	169,910	259,561
SHB Program Funding	1,347,309	540,032
Wellness Center	620,938	-
Suicide Prevention Hotline	34,015	-
Community Response Plan	10,749	-
PNWE	7,576	-
Drug Medi-Cal	(5,322)	-
Orange County	2,862	-
Education Development Center, Inc.	3,493	-
Statewide PEI Project	3,221,120	8,456,464
Total Restricted	<u>6,490,798</u>	<u>10,404,758</u>
 Total Liabilities and Fund Balance/Net Position	 <u>\$ 8,812,894</u>	 <u>\$ 15,009,044</u>

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES/NET POSITION –
STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	Strategic Programs	Operations	PEI	2016	2015
REVENUES:					
Wellness Center Funding	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
Suicide Prevention Hotline Funding	627,642	-	-	627,642	-
Community Response Plan Funding	34,000	-	-	34,000	-
PNWE Funding	10,000	-	-	10,000	-
SHB Funding	905,508	-	-	905,508	437,943
PEI Funding	-	-	5,959,792	5,959,792	6,290,472
Orange County Funding	12,500	-	-	12,500	-
Conference Registration	(20,421)	-	-	(20,421)	326,663
Donations	-	-	-	-	40,000
EDC Funding	3,500	-	-	3,500	-
Application Fee	-	250	-	250	-
Investment Income	-	50,573	-	50,573	91,473
Total Revenue	<u>2,572,729</u>	<u>50,823</u>	<u>5,959,792</u>	<u>8,583,344</u>	<u>7,186,551</u>
EXPENDITURES/EXPENSES:					
Program Expenses					
SDR Conference	3,117	-	-	3,117	393,238
Technical Assistance/Capacity Building	-	-	-	-	36,149
Planning Expense	-	-	-	-	587,248
SHB Program Funding	9,963	-	-	9,963	92,221
Feasibility Study Funding	84,371	-	-	84,371	11,569
Program Expense	-	63,565	10,745,072	10,808,637	22,360,060
Evaluation Expense	-	-	-	-	2,720,109
Wellness Center Expense	370,262	-	-	370,262	-
Suicide Prevention Hotline Expense	499,481	-	-	499,481	-
Community Response Plan Expense	18,151	-	-	18,151	-
PNWE Expense	924	-	-	924	-
Drug Medi-Cal Expense	4,797	-	-	4,797	-
Orange County Expense	7,763	-	-	7,763	-
EDC Expense	7	-	-	7	-
Total Program Expense	<u>998,836</u>	<u>63,565</u>	<u>10,745,072</u>	<u>11,807,473</u>	<u>26,200,594</u>
General and Administration	<u>205,670</u>	<u>34,102</u>	<u>450,059</u>	<u>689,831</u>	<u>1,336,150</u>
Total Expenditures/Expenses	<u>1,204,506</u>	<u>97,667</u>	<u>11,195,131</u>	<u>12,497,304</u>	<u>27,536,744</u>
Change in Fund Balance/Net Position	1,368,223	(46,844)	(5,235,339)	(3,913,960)	(20,350,193)
FUND BALANCE/NET POSITION					
Beginning of year	<u>1,124,936</u>	<u>823,363</u>	<u>8,456,459</u>	<u>10,404,758</u>	<u>30,754,951</u>
End of year	<u>\$ 2,493,159</u>	<u>\$ 776,519</u>	<u>\$ 3,221,120</u>	<u>\$ 6,490,798</u>	<u>\$ 10,404,758</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

California Mental Health Services Authority ("CalMHSA") is an independent administrative and fiscal government agency focused on the efficient delivery of California Mental Health Projects. CalMHSA was established by a Joint Powers Agreement on July 1, 2009, under Government Code Section 6500 et seq. among California Counties to obtain and administer public funds to provide certain community mental health services to persons residing within the same counties and cities. Member counties jointly develop, fund and implement mental health services, projects, and educational programs at the state, regional, and local levels. CalMHSA is governed by a Board of Directors, which is composed of the local county or city mental health director from each member, appointed or designated. As of June 30, 2016 and 2015, there were 52 members (50 counties, one city and one JPA).

Admission

To be accepted for membership in CalMHSA, counties must complete an application form and submit the required application fee. The application fee ranges from \$250 - \$1,000 depending on the most recent county population figures published by the State Department of Finance. Counties must then submit a signed participation resolution to CalMHSA that has been approved by the county's Board of Supervisors, execute the Joint Powers Authority Agreement and agree to be bound by any subsequent amendments to the agreement, designate an alternate to the Board as representative and complete the required Fair Political Practices Commission (FPPC) forms.

Withdrawal

A member may withdraw from CalMHSA upon written notice no later than December 31 of the fiscal year if it has never become a participant in any program or if it had previously withdrawn from all programs in which it was a participant. A member who withdraws from CalMHSA is not entitled to the return of any payments to the Authority.

CalMHSA is not a legislative agency, nor an approval or advocacy body. CalMHSA is a best practice inter-governmental structure with growing capacity and capability to promote systems and services arising from a shared member commitment to community mental health. CalMHSA supports the values of the California Mental Health Services Act:

- Community collaboration
- Cultural competence
- Client/family-driven mental health system for children, transition age youth, adults, older adults
- Family-driven system of care for children and youth
- Wellness focus, including recovery and resilience
- Integrated mental health system service experiences and interactions

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

A. REPORTING ENTITY (Continued)

The Mental Health Services Act (Proposition 63), passed in November 2004, provides the first opportunity in many years for the California Department of Mental Health (DMH) to provide increased funding, personnel and other resources to support county mental health programs and monitor progress toward statewide goals for children, transition age youth, adults, older adults and families. This Act imposes a 1% income tax on personal income in excess of \$1 million and provides the counties of California the funds needed to set up contract services for strategies to reduce the following negative outcomes that may result from untreated mental illness:

- Suicide
- Incarcerations
- School failure or dropout
- Unemployment
- Prolonged suffering
- Homelessness
- Removal of children from their homes

As the counties are responsible to use these funds as stated, CalMHSA was established in 2009 to help with the contracting of these services.

B. BASIS OF PRESENTATION

The Statement of Net Position and the Statement of Activities display information about CalMHSA. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

The Government-Wide Statement of Net Position presents information on all of CalMHSA's assets and liabilities, with the difference between the two presented as net position. Net Position is reported as one of three categories: invested in capital assets, net of related debt; restricted or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that are otherwise restricted.

The Government-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of CalMHSA's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. CalMHSA does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of CalMHSA. CalMHSA reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements

Fund financial statements report detailed information about CalMHSA. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. CalMHSA has only one operating fund.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments and service charges are recognized as revenues in the year for which they are levied. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statement

Governmental fund financial statements (i.e., Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which CalMHSA receives value without directly giving equal value in return, include program funding, assessments and interest income. Under the accrual basis, revenue from program funding and assessments is recognized in the fiscal year for which the program funding and assessments are levied. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In August 2014, the CalMHSA Board approved a Phase II Funding Plan for purpose of continuing work related to PEI projects through June 30, 2017. Funding for Phase I and Phase II is derived from current county members committing a range of 1% to 7% funding from their local PEI funds for the next three fiscal years, in addition to CalMHSA seeking other funding to include state and federal resources.

In addition to the PEI program, the following strategic programs were also included in CalMHSA's operations during the fiscal year ended June 30, 2016:

- **Wellness program** – This program was funded by the County of Plumas. CalMHSA, acting as the contract administrator for the County of Plumas, has contracted with the Plumas Crisis Intervention Resource Center (PCIRC). PCIRC is tasked to establish Wellness Centers in the communities of Chester, Greenville, Portola and Quincy. These Wellness Center will

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

compliment and build on the existing Family Resource Center Model and will be developed with an understanding of best practices in the delivery of community mental health services and provide a consumer-driven, community based setting that offers a casual and friendly environment for community members to access mental health and other ancillary services.

- **Suicide Prevention Hotline** – CalMHSA contracted with Kings View Behavioral Health to operate the Central Valley Suicide Prevention Hotline with specialized support and outreach provided to the seven contributing counties of Fresno, Kings, Mariposa, Madera, Merced, Stanislaus and Tulare.
- **Community Response Plan** – CalMHSA contracted with subject matter experts to develop a comprehensive suicide response protocol/toolkit for the rural community of the Tahoe/Truckee area. Furthermore, they will develop a template and guidelines that can be used by other Central Region counties to replicate a suicide response protocol/toolkit that meets any Central Region rural community's needs.
- **Psychiatric Nurse Workforce Exploration (PNWE)** – CalMHSA will research and explore opportunities to increase the number of psychiatrists and/or psychiatric Nurse Practitioners in the Central Region. After sharing findings with county representatives on the Central Region sub-committee, CalMHSA may contract with subject matter experts to develop a program that meets the needs of the region.
- **Drug Medi-Cal** – CalMHSA provided Drug Medi-Cal Organized Delivery System (DMC-ODS) Waiver trainings to counties that opted into the DMC-ODS Waiver, counties that received approval to form a regional delivery system, and providers selected by counties to provide DMC-ODS Waiver services. CalMHSA will also provide technical assistance to counties and providers as required by the Department of Health Care Services (DHCS) and provide DHCS with monthly progress reports; trainings up to once quarterly and a final report.
- **Orange County** – Orange County, Member of CalMHSA, utilized CalMHSA for procuring consulting services, using various providers, for purposes related to completion of the California Health Facilities Financing Authority application and contract procurement for Crisis Stabilization Units.
- **Education Development Center (EDC)** – EDC's suicide prevention resource center is funded by the Substance Abuse and Mental Health Services Administration to provide suicide prevention services and resources to a variety of professionals. It is essential that this information be provided in a culturally appropriate manner. CalMHSA will create a brief set of guidelines to help staff in state and community programs develop culturally competent suicide prevention materials for the audiences they serve, drawing on CalMHSA's experience tailoring resources for California's diverse communities.

Expenditures were recorded under the modified accrual basis of accounting when the related liability was incurred.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

D. FUND ACCOUNTING

The accounts of CalMHSA are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. CalMHSA resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. CalMHSA has one governmental fund.

Governmental Fund:

The General Fund is the general operating fund of CalMHSA. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

E. CASH AND CASH EQUIVALENTS

CalMHSA considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

F. INCOME TAXES

CalMHSA is a governmental entity and as such its income is exempt from taxation under Section 115(1) of the Internal Revenue Code and Section 23701d of the California and Taxation Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from these estimates.

H. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"*, CalMHSA is required to report fund balances in the following categories, as applicable: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned Fund Balance reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. In accordance with adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, CalMHSA considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

2. CASH AND CASH EQUIVALENTS

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

	<u>2016</u>	<u>2015</u>
Cash in banks	\$ 57,875	\$ 245,647
Money Market Account	1,471	1,630
LAIF	7,654,500	13,973,387
	<u>\$ 7,713,846</u>	<u>\$ 14,220,664</u>

Cash in Bank

As of June 30, 2016 and 2015, CalMHSA's balances per the bank of \$261,500 and \$436,915 respectively, are insured by the Federal Depository Insurance Corporation up to \$250,000. Section 53652 of the California Governmental Code requires financial institutions to secure deposits made by governmental units in excess of insured amounts, by the pledging of governmental securities as collateral. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by governmental units.

Money Market Account

As of June 30, 2016, CalMHSA's had cash in a money fund managed by Morgan Stanley Smith Barney LLC.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

Local Agency Investment Fund

California Mental Health Services Authority places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurers Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in this pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account with twenty-four hours' notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. At June 30, 2016, the interest rate was 0.55%.

LAIF is administered by the State Treasurer and is audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized.

Local Agency Investment Fund Valuation

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2016:

Description	Level 1	Level 2	Level 3	Total
Total	\$ 4,517,538	\$ 3,136,962	\$ -	\$ 7,654,500

3. RECEIVABLES

The receivables balance represents funding revenue for programs that was billed prior to year end, but funds were not received until after year end. Due to the nature of the receivables and the likelihood of collection, no provision for uncollectible accounts has been made.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

4. CONTRACT SERVICES

CalMHSA does not have any employees and contracts for all necessary services. This includes contracts for the development and implementation of prevention and early intervention (PEI) programs on a statewide and regional basis. Currently, CalMHSA has awarded twenty eight contracts to twenty eight program partners. See www.calmhhsa.org for a complete list of the statewide PEI approved contractors.

5. SUBSEQUENT EVENTS

Department of Health Care Services Report on the Limited Review – California Mental Health Services Authority – Mental Health America of California as Subcontractor of CalMHSA.

On August 1, 2016, the California Department of Health Care Services (DHCS) issued a report on the limited review concerning the performance of Mental Health America of California (MHAC) under an expense-reimbursement contract with CalMHSA. The final audit report showed an adjustment of \$349,197.

On September 2, 2016, CalMHSA responded by letter, explaining it did not believe the audit report justified the adjustments it proposed. CalMHSA cited the absence of any published standards, application of unreasonable standards, citation to inapplicable Medicaid statutes, and consideration of only a part of the entire contract period. Should there be any attempt by DHCS to collect the adjustment amount from CalMHSA, CalMHSA will contest the claim vigorously. CalMHSA is unable to predict the outcome of this matter, and at this time cannot reasonably estimate the exposure on this matter. In its contract with CalMHSA, MHAC agreed to repay CalMHSA if the amounts paid to MHAC were determined not to be reimbursable by CalMHSA or an appropriate state agency. Further, the contract provided that if there is a conflict between a state audit and a CalMHSA audit, the state audit would take precedence.

On a letter dated October 26, 2016, DHCS made a demand of CalMHSA for \$349,197, which CalMHSA is disputing and taking to mediation.

CalMHSA's management evaluated its 2016 financial statements for subsequent events through **DATE**, the date the financial statements were available to be issued. Management is not aware of any other subsequent events, other than that noted above, that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Budget Variance Favorable (Unfavorable)
REVENUES:				
SHB Funding	\$ 438,642	\$ 438,642	\$ 905,508	\$ 466,866
Sustainability Funding	4,820,775	4,820,775	5,959,792	1,139,017
Wellness Center Funding	-	1,000,000	1,000,000	-
TTACB Contract	120,000	120,000	-	(120,000)
Fiscal Modernization	210,527	210,527	-	(210,527)
Amounts Not Budgeted	-	-	718,044	718,044
Total Revenue	<u>5,589,944</u>	<u>6,589,944</u>	<u>8,583,344</u>	<u>1,993,400</u>
EXPENDITURES/EXPENSES:				
Program Expenses				
PEI Program Services	8,099,737	8,299,737	10,808,637	(2,508,900)
SHB Program Funding	438,422	438,422	9,963	428,459
Fiscal Modernization	-	-	84,371	(84,371)
Amounts Not Budgeted	-	-	904,502	(904,502)
Total Project Expense	<u>8,538,159</u>	<u>8,738,159</u>	<u>11,807,473</u>	<u>(3,069,314)</u>
General and Administration	<u>522,907</u>	<u>522,907</u>	<u>689,831</u>	<u>(166,924)</u>
Total Expenditures/Expenses	<u>9,061,066</u>	<u>9,261,066</u>	<u>12,497,304</u>	<u>(3,236,238)</u>
Change in Fund Balance/Net Position	(3,471,122)	(2,671,122)	(3,913,960)	5,229,638
FUND BALANCE/NET POSITION				
Beginning of year	<u>10,404,759</u>	<u>10,404,759</u>	<u>10,404,759</u>	<u>-</u>
End of year	<u>\$ 6,933,637</u>	<u>\$ 7,733,637</u>	<u>\$ 6,490,799</u>	<u>\$ 5,229,638</u>

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2015

	Original and Final Budget	Actual	Budget Variance Favorable (Unfavorable)
REVENUES:			
SHB Funding	\$ 450,000	\$ 437,943	\$ (12,057)
Sustainability Funding	12,800,000	6,290,472	(6,509,528)
Conference Registration	-	326,663	326,663
Donations	-	40,000	40,000
Feasibility Study Funding	-	(1,763)	(1,763)
Investment Income	95,000	91,473	(3,527)
Total Revenue	<u>13,345,000</u>	<u>7,184,788</u>	<u>(6,160,212)</u>
EXPENDITURES/EXPENSES:			
Program Expenses			
SDR Conference	-	393,238	(393,238)
Technical Assistance/Capacity Building	-	36,149	(36,149)
SHB Program Funding	450,080	92,221	357,859
Feasibility Study Funding	248,703	9,806	238,897
Program Expenses	40,349,390	22,360,060	17,989,330
Evaluation Expense	2,326,733	2,720,109	(393,376)
Planning Expense	-	587,248	(587,248)
Total Project Expense	<u>43,374,906</u>	<u>26,198,831</u>	<u>17,176,075</u>
General and Administration	<u>3,155,583</u>	<u>1,336,150</u>	<u>1,819,433</u>
Total Expenditures/Expenses	<u>46,530,489</u>	<u>27,534,981</u>	<u>18,995,508</u>
Change in Fund Balance/Net Position	(33,185,489)	(20,350,193)	(25,155,720)
FUND BALANCE/NET POSITION			
Beginning of year	<u>30,754,951</u>	<u>30,754,951</u>	<u>-</u>
End of year	<u>\$ (2,430,538)</u>	<u>\$ 10,404,758</u>	<u>\$ (25,155,720)</u>

OTHER AUDITOR'S REPORT



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**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***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
California Mental Health Services Authority
Rancho Cordova, California

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 governmental activities and the major fund, and the aggregate remaining information of California Mental Health Services Authority, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise California Mental Health Services Authority's basic financial statements, and have issued our report thereon dated **DATE**.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered California Mental Health Services Authority'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 California Mental Health Services Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of California Mental Health Services Authority'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 over financial reporting 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 financial reporting 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 California Mental Health Services Authority's financial statements are free of 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. This report is intended solely for the information and use of Management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

DRAFT

James Marta & Company LLP
Certified Public Accountants
Sacramento, California

DATE

Agenda Item 5

SUBJECT: CALMHSA FINANCIAL STATEMENT FOR THE QUARTER ENDING SEPTEMBER 30, 2016

ACTION FOR CONSIDERATION:

Approval of the CalMHSA Financial Statement for the quarter ending September, 2016 for presentation at the next scheduled Board of Directors Meeting.

BACKGROUND AND STATUS:

The Finance Committee will review and discuss the financial statement for the quarter ending September 30, 2016. Upon committee approval, the financial statement will be presented at the next Board of Directors Meeting.

Some key items are noted in the financial statement cover memo.

FISCAL IMPACT:

None.

RECOMMENDATION:

Approval of the CalMHSA Financial Statement for the quarter ending September 30, 2016 for presentation at the next scheduled Board of Directors Meeting.

TYPE OF VOTE REQUIRED:

Majority vote of the Finance Committee.

REFERENCE MATERIALS ATTACHED:

- CalMHSA Financial Statement Quarter Ending September 30, 2016

**SUMMARY OF SIGNIFICANT CHANGES IN FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016**

BALANCE SHEET:

Cash and Cash Equivalents – The total cash balance as of September 30, 2016 is \$11.1 million. This is an increase of \$3.4 million compared to the \$7.7 million in cash as of June 30, 2016. The increase in cash is from receipt of contributions for PEI sustainability.

Receivables – The balance in accounts receivable as of September 30, 2016, is \$966 thousand. The categories with the most significant balances are as follows:

• Phase II PEI Sustainability Funding	\$ 303,186
• State Hospital Beds Program	<u>602,492</u>
	\$ 905,678

Accounts Payable – The balance in accounts payable as of September 30, 2016, is approximately \$1.3 million. The payables are primarily for payments to program partners. The vendors with the most significant balances are as follows:

• PCIRC	\$ 92,293
• NAMI	94,845
• Runyon, Saltzman & Einhorn, Inc.	127,216
• University of California	<u>595,813</u>
	\$ 910,167

STATEMENT OF REVENUE AND CHANGES IN NET ASSETS:

Operating Revenue – Total revenue for the three months ended September 30, 2016 was \$6.3 million consisting primarily of revenue for Phase II Sustainability (\$5,120,910), as well as other strategic programs such as Wellness Center, Suicide Prevention Hotline, the Community Response Plan and the State Hospital Beds Program.

Expenses – Overall expenses for the three months ended September 30, 2016 were \$2 million. The expenses consisted mainly of contract expenses for the Statewide Program (Phase II.)

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

**UNAUDITED
BALANCE SHEET**

	<u>September 30, 2016</u>	<u>June 30, 2016</u>
ASSETS		
Current Assets:		
Cash & Cash Equivalents	\$ 11,095,582	\$ 7,713,846
Investments - Current Portion		
Contractor Prepayments	60,000	60,000
Receivables:		
State Hospital Bed Funds	602,492	529,772
Fiscal Modernization	13,281	13,281
Phase II Sustainability	338,186	452,669
Other	12,500	31,348
Interest	14,264	11,978
Total Current Assets	<u>12,136,305</u>	<u>8,812,894</u>
Noncurrent Assets:		
Investments		
Total Assets	<u>\$ 12,136,305</u>	<u>\$ 8,812,894</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 1,315,468	\$ 1,541,735
Program Partner Holdbacks		
Deferred Revenue		780,361
Total Current Liabilities	<u>1,315,468</u>	<u>2,322,096</u>
Net Assets:		
Operations	724,855	776,518
Obligated Funds Under Contract:		
International SDR Conference	(50,116)	(50,116)
Tech Asst/Capacity Building	203,272	203,272
WET Program Funding	148,470	148,470
Fiscal Modernization	137,257	169,915
SHB Program Funding	1,846,917	1,347,307
Wellness Center	369,436	620,938
Suicide Prevention Hotline	522,521	34,015
Community Response Plan	(3,959)	10,745
PNWE	7,576	7,576
Drug Medi-Cal	(6,341)	(4,797)
Orange County	15,362	2,862
Education Development Center, Inc.	(976)	2,968
Statewide PEI Project	6,906,563	3,221,124
Total Net Assets	<u>10,820,836</u>	<u>6,490,798</u>
Total Liabilities and Net Assets	<u>\$ 12,136,305</u>	<u>\$ 8,812,894</u>

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

**UNAUDITED
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

For The Three Months Ended September 30, 2016

	<u>Operations</u>	<u>Strategic Programs</u>	<u>Statewide PEI Program</u>	<u>September 2016 Total</u>	<u>June 2016 Total</u>
OPERATING REVENUES:					
Program Funding Contributions		\$ 1,202,481	\$ 5,120,910	\$ 6,323,391	\$ 8,552,942
Conference Registration				-	(20,421)
Donations				-	-
Application Fee				-	250
Total Operating Revenue	-	1,202,481	5,120,910	6,323,391	8,532,771
PROGRAM EXPENSES:					
SDR Conference		-		-	3,117
Program Contract		399,285	972,601	1,371,886	9,798,835
Program Mgmt. & Oversight		52,936	262,636	315,571	1,926,174
Other Contract Services		50,952	4,680	55,632	184,006
Legal	11,674	56	-	11,729	20,621
Marketing			-	-	1,396
Meeting and Other	8,394	2,989	2,563	13,946	78,994
Total Program Expense	20,068	506,218	1,242,480	1,768,765	12,013,143
INDIRECT EXPENSES:					
General Management			190,185	190,185	322,407
Other Contract Services	9,650		2,732	12,382	28,386
Legal Services			-	-	22,952
Insurance	29,920		-	29,920	29,203
Investment Management Fees			-	-	439
Dissemination Materials			-	-	64,263
Meeting and Other	1,538		75	1,613	16,512
Total General And Administrative	41,108	-	192,991	234,099	484,161
Total Expenses	61,176	506,218	1,435,471	2,002,864	12,497,304
Income/(Loss) from Operations	(61,176)	696,263	3,685,439	4,320,527	(3,964,533)
NONOPERATING INCOME:					
Investment Income	14,264			14,264	51,073
Change in Investment Value	(4,752)			(4,752)	(500)
Total Nonoperating Income	9,512			9,512	50,573
Change in Net Assets	(51,663)	696,263	3,685,439	4,330,039	(3,913,960)
Beginning Net Assets	776,518	2,493,155	3,221,124	6,490,797	10,404,757
Ending Net Assets	\$ 724,855	\$ 3,189,418	\$ 6,906,563	\$ 10,820,836	\$ 6,490,797

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

UNAUDITED
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

For The Three Months Ended September 30, 2016

	Strategic Programs												Total Strategic Programs	June 2016 Total
	International SDR Conference	Tech Asst/ Capacity Building	WET Program	Fiscal Modernization	SHB Program	Wellness Center	Suicide Prevention Hotline	Community Response Plan	PNWE	Drug Medi-Cal	Orange County	EDC		
OPERATING REVENUES:														
Program Funding Contributions					\$ 553,606			\$ 636,375			\$ 12,500		\$ 1,202,481	\$ 2,593,150
Conference Registration														(20,421)
Total Operating Revenue	-	-	-	-	553,606	-	-	636,375	-	-	12,500	-	1,202,481	2,572,729
PROGRAM EXPENSES:														
SDR Conference														3,117
Program Contract						251,416	147,869						399,285	869,481
Program Mgmt. & Oversight				1,848	51,088								52,936	205,670
Other Contract Services				30,810					14,704	1,494		3,944	50,952	115,685
Legal					56								56	1,499
Meeting and Other					2,853	86				50			2,989	9,058
Total Program Expense	-	-	-	32,658	53,996	251,502	147,869	14,704	-	1,544	-	3,944	506,218	1,204,510
Change in Net Assets	-	-	-	(32,658)	499,610	(251,502)	488,506	(14,704)	-	(1,544)	12,500	(3,944)	696,263	1,368,219
Beginning Net Assets	(50,116)	203,272	148,470	169,915	1,347,307	620,938	34,015	10,745	7,576	(4,797)	2,862	2,968	2,493,155	1,124,936
Ending Net Assets	\$ (50,116)	\$ 203,272	\$ 148,470	\$ 137,257	\$ 1,846,917	\$ 369,436	\$ 522,521	\$ (3,959)	\$ 7,576	\$ (6,341)	\$ 15,362	\$ (976)	\$ 3,189,419	\$ 2,493,155

Agenda Item 6

SUBJECT: Complexities Related to Non Paying Counties

ACTION FOR CONSIDERATION:

Discuss and approve one of the proposed solutions for addressing the issue of member counties benefitting from certain CalMHSA managed programs, of which they do not financially contribute.

BACKGROUND AND STATUS:

At the Strategic Planning Session on April 15, 2016, the Board of Directors requested staff (items number 5 and 6 under “Money – Sustainability”) to propose options for addressing the issue of non-paying counties. As such, staff prepared a comprehensive packet relative to sustainability, which includes potential proposed solutions for addressing the issue of member counties benefitting from certain CalMHSA managed programs, of which they do not financially contribute.

Below is a summary of the potential proposed solutions which address ways to achieve equality and ensure CalMHSA has sufficient funding to manage the approved programs.

Recommendation(s):

- 1) For each CalMHSA Program establish either a minimum percentage of funding participation, or minimum dollar level by all members, on an annual basis. Any member who will directly benefits from a program must fund to participate at the minimum level in order to remain as a member in good standing in CalMHSA and the program. Any member not in good standing will remain a member for up to one year and if good standing is not restored shall no longer be a member of that program nor benefit directly from the program.
- 2) CalMHSA shall have two tiers of membership. Tier I shall be full participation whereas funding is at least at the minimum level, and as a result the member shall receive full and direct benefit of the program. Tier II is for those members who chose not to fund at the minimum level, but wish to remain a member in good standing and receive indirect benefit in CalMHSA and/or programs. Tier II members shall pay an administrative fee equal to the minimum funding level determined for the program.

For additional background information please see attached documents.

FISCAL IMPACT:

Increase in member contributions.

RECOMMENDATION:

Discuss and approve one of the proposed solutions for addressing the issue of member counties benefitting from certain CalMHSA managed programs, of which they do not financially contribute.

TYPE OF VOTE REQUIRED:

Majority vote of the Finance Committee.

REFERENCE MATERIAL(S) ATTACHED:

- Non Paying Counties

NON PAYING COUNTIES

October 2016 Version Prepared by Staff in Response to:

Board Direction from June 2016 Board Meeting RE: Draft Strategic Plan

1. **OBJECTIVE** - to address the issue of member counties benefitting from certain CalMHSA managed programs, of which they do not financially contribute.

Background - CalMHSA manages programs approved by the membership. Currently there are three programs whereas all members could participate. Each program is unique and will be discussed separately.

Statewide PEI; this program, initiated in 2010 was funded by one-time funds whereas the members assigned them directly to the JPA. The vast majority of counties assigned all their funds to the JPA. There were, however, several counties that did not join the JPA, but participated, and a few counties that joined the JPA but did not participate. A total of 7 counties (mostly small counties) did not financially participate in the original implementation of the PEI Statewide Projects. These non-paying counties received some benefit from the original one-time funding, but not to the same degree as counties that provided funding. Of note, by Phase 2, all counties, except 3 very small counties, had financially supported PEI Statewide Projects. Since the inception of the PEI Statewide Projects, the issue of equity has been an on-going concern relative to current funding structure, which is done through a volunteer Letter of Acknowledgement (LOA) basis.

In the LOA structure each county elects to participate or not participate; and to what degree they financially will participate (CalMHSA provides suggested parameters of fiscal participation, generally 4-7% of Annual PEI funding). . Prior board discussion of non-contributing or lesser contributing counties resulted in staff working with contractors to ensure counties received products and services based on the level of county contribution. As a CalMHSA member a county receives some benefits from this statewide prevention campaign. Currently, 15 counties out of 58 counties (25.9%) did not fund CalMHSA through an LOA.

Fiscal Year	Number Participating Members	Total Funds Committed	Total Funds Received
PEI FY 14-15	44	\$6,396,323.40	\$6,321,937.63
PEI FY 15-16	42	\$5,958,353.21	\$5,958,353.21
PEI FY 16-17	41	\$5,157,324.23	\$4,925,071.19*

* Collection during current fiscal year, more contributions are expected to reach \$5.2 million.

State Hospital Program; this program started primarily out of the need for collective contract bargaining to hold down costs and improve quality of patient care. Initially it was a program that was supported and funded by those counties currently procuring beds. However, the annual and necessary funding for the effort has not been funded consistently by all counties who procure beds. Currently there are several counties have not paid and some where it is unknown whether payment will be made for past invoices or current invoices.

Fiscal Modernization; this project was initially focused on exploring options to transition from Short-Doyle 2 to a new billing system. CBHDA, CalMHSA and Counties proposed a migration from the state-operated Short-Doyle 2 system to a HIPPA-compliant, county-based encounter data systems that use certified vendors/systems to collect and store encounter information locally. Since the project began in 2013, the scope has changed from solely an information technology project to a project that is inclusive of fiscal and delivery system considerations. While this project conceptually benefits all counties nine have fiscally not participated.

CalMHSA Bylaws, Article 12 – Programs, Sections 12.1 – Formation of Programs

ARTICLE 12 - PROGRAMS

Section 12.1 - Formation of Programs

12.1.1 The Authority may establish Programs in such areas as the Board may determine.

12.1.2 The Authority may authorize and use administrative funds to study the development/feasibility of new Programs. In the event of such development, the estimated Member contributions shall be developed by the Executive Director and each Member will be given a stated time period to state in writing whether it intends to participate in the new Program. Unless written notice of intent to participate in a Program is provided to the Executive Director by the Member, it shall be presumed that the Member declines to participate. Upon conclusion of the notice period, Member contributions will be determined and billed to the Members committed to join. Receipt by the Authority of funds from third parties on behalf of, or as the assignee of, the Member will be deemed contributions on behalf of the Member. To the extent feasible, Member contributions to a Program shall be used reimburse the Authority's administrative funds used to study and develop the Program. Each Member that elects to participate will be bound to the new Program for the period of time so required by the Participation Agreement for that Program.

12.1.3 Establishment of a Program that may involve more than one member and contributions made directly by such Members requires a vote of the full Board. Once a Program is established, addition of other Members as participants does not require additional Board action. Single-County Programs and Programs funded entirely by grants or other non-Member sources may be established by vote of either the Board or the Executive Committee. As to such Programs, the Board or Executive Committee may delegate authority to the Executive Director to establish and

execute Participation Agreements for such Programs, subject to the limits imposed in the delegation of authority.

12.1.4 The Participants in a Program shall adopt and maintain a Participation Agreement to establish the operating guidelines of that Program, except as to the Statewide PEI Program. As to the Statewide PEI Program, the relevant Information Notices, assignment documents executed on behalf of Members, CalMHSA contract with the California Department of Mental Health and these Bylaws are deemed to constitute the Participation Agreement.

12.1.5 Participation Agreements shall, among other things, specify the conditions under which additional Members will be allowed to join in the Program after its inception.

Proposed Solutions—In order to hope to achieve equality and ensure CalMHSA has sufficient funding to manage the approved programs certain critical next steps should be considered:

1. Establish a percentage of minimum participation by all members, whereas the member can allocate the portion of support by program. This is analogous to our 1% solution previously entertained.
2. Any member who will directly benefit from a program must financially participate at the requisite level in order to remain as a member in good standing in CalMHSA and the program. Any member not in good standing will remain a member for up to one year and if good standing not restored shall no longer be a member of that program nor benefit directly from the program. An example is for those members not fiscally contributing to the State Hospital Program will not be allowed to be a party to the MOU and not receive the benefits and potentially the same rate.
3. Any member who wishes not to directly benefit from the program, not financially participate, but does in fact receive indirect benefit (for example social media), that member shall pay an administrative fee equal to the minimum funding level determined for the program.

Agenda Item 7

SUBJECT: EXECUTIVE DIRECTOR FINANCE REPORT

ACTION FOR CONSIDERATION:

None, Information only.

BACKGROUND AND STATUS:

CalMHSA Executive Director, Wayne Clark, will report on CalMHSA finance topics. The following topics may be discussed:

- Strategic Development of 2016/2017 Revenue
- Other Financial Matters

FISCAL IMPACT:

None.

RECOMMENDATION:

None, Information only.

TYPE OF VOTE REQUIRED:

Majority vote.

REFERENCE MATERIAL(S) ATTACHED:

- None.