



James Marta & Company
Certified Public Accountants

Accounting, Auditing, Tax, and Consulting

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE**

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

We have audited the basic financial statements of California Mental Health Services Authority (CalMHSA) for the years ended June 30, 2011 and June 30, 2010 and have issued our report thereon dated January 24, 2012. Professional standards require that we advise you of the following matters relating to our audit:

Our Responsibility under Generally Accepted Auditing Standards

As communicated in our engagement letter dated July 26, 2011, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of CalMHSA solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our Report on Internal Controls and report on other matters noted in a separate letter dated January 24, 2012.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Organization's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Qualitative Aspects of the Organization's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by CalMHSa is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2010-2011. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the accounts receivable and evaluation of collectibility. We evaluated the key factors and assumptions used to record the accounts receivable and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Authority's financial statements relate to contracts for services.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. We did not identify any uncorrected misstatements as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The audit adjustments identified by management are included in the attachment to this letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the CalMHSA's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated January 24, 2012.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with CalMHSA, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

This report is intended solely for the use of the Board of Directors and management of California Mental Health Services Authority and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



James Marta & Company
Certified Public Accountants
January 24, 2012



California Mental Health Services Authority

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January 24, 2012

To James Marta & Company:

We are providing this letter in connection with your audit of the Statement of Net Assets/Balance Sheet, Statement of Activities/Revenues, Expenditures and Changes in Fund Balance of California Mental Health Services Authority as of June 30, 2011 and June 30, 2010 and for the years then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects the financial position, results of operations, and cash flows of California Mental Health Services Authority in conformity accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position and results of operations in conformity with generally accepted accounting principles. We acknowledge the auditor's role in preparing the financial statements and the related notes and that we have approved and reviewed the financial statements.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.


We confirm, to the best of our knowledge and belief, as of January 24, 2012, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all:
 - a. Financial records and related data.
 - b. Minutes of the meetings of directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

5. We believe that the effects of the uncorrected misstatements in the financial statements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving (a) management, (b) employees who have significant roles in internal controls, or (c) others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.
9. The California Mental Health Services Authority has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
10. The following have been properly recorded or disclosed in the financial statements:
 - a. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which California Mental Health Services Authority is contingently liable.
 - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the Statement of Net Assets date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas, as applicable, for which events could occur that would significantly disrupt normal finances within the next year.
11. There are no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB-5.

12. California Mental Health Services Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
13. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
14. We have reviewed and approved the material journal entries you have proposed and we have recorded them in our general ledger.
15. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the Statement of Net Assets date and have been appropriately reduced to their estimated net realizable value.
16. We represent to you the following for the Authority's fair value measurements and disclosures:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

To the best of our knowledge and belief, no events that have not already been disclosed have occurred subsequent to the Statement of Net Assets date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.



John Chaquica
Executive Director



Kim Santin
Finance Director

Adjusting Journal Entries

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To reverse Revenue booked in prior year to beginning equity				
4020-00-000	Application Fee		2,250.00	
4050-00-000	Planning Revenue		170,130.00	
4065-00-000	Program Revenue		3,232,470.00	
3010-00-000	Net Assest			3,404,850.00
Total			<u>3,404,850.00</u>	<u>3,404,850.00</u>
Adjusting Journal Entries JE # 2				
To book correction to Accounts Receivable				
4020-00-000	Application Fee		14,250.00	
4050-00-000	Planning Revenue		55,775.00	
4065-00-000	Program Revenue		1,107,225.00	
1240-00-000	Accounts Receivalbe - Program Fee			1,107,225.00
1245-00-000	Accounts Receivable - Planning Fee			55,775.00
4050-00-000	Planning Revenue			14,250.00
Total			<u>1,177,250.00</u>	<u>1,177,250.00</u>