

**California Mental Health Services Authority  
FINANCE COMMITTEE TELECONFERENCE  
AGENDA**

March 19, 2018  
3:00 p.m. – 4:00 p.m.  
Dial-in Number: 916-233-1968  
Access Code: 3043



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

**Colusa County**  
Department of Behavioral Health  
162 E. Carson Street, Suite A  
Colusa, CA 95932

**Los Angeles County**  
Mental Health  
550 S. Vermont Avenue, 10<sup>th</sup> Floor  
Los Angeles, CA 90020

**Madera County**  
Behavioral Health Services  
209 E. 7<sup>th</sup> Street  
Madera, CA 93637

**Kern County**  
Behavioral Health & Recovery Services  
2001 28<sup>th</sup> Street  
Bakersfield, CA 93301

*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..... 4**

- A. Routine Matters
- B. Reports / Correspondence
  - a. CalMHSA Summary of Contributions by Program..... 5
  - b. Cash Flow Management..... 9
    - i. Cash Balance as of February 28, 2018..... 10
    - ii. Projected Cash Flow at February 28, 2018..... 11

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

**4. CALMHSA FINANCIAL STATEMENT FOR QUARTER ENDING DECEMBER 31, 2017..... 12**

***Recommendation: Approval of the CalMHSA Financial Statement for the Quarter ending December 31, 2017 for presentation at the next scheduled Board of Directors Meeting.***

**5. CALMHSA FINANCIAL AUDIT ENGAGEMENT..... 18**

- A. CalMHSA Financial Audit Engagement Letter Ending June 30, 2015

***Recommendation: Discussion and consideration to continue audit contract with James Marta & Company.***

**6. EXECUTIVE DIRECTOR FINANCE REPORT..... 27**

- A. Business Model/Conceptual Budget
- B. 501(c)(3)/Gilbert Engagement Letter
- C. 1299 Banking Pool
- D. Other Financial Matters

***Recommendation: None, information only.***

**7. 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.

**8. CLOSING COMMENTS**

**9. 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 Board would like to discuss any item listed, it may be pulled from the Consent Calendar.

- A. Routine Matters
- B. Reports / Correspondence
  - 1. CalMHSA Summary of Contributions by Program
  - 2. Cash Balance as of February 28, 2018
  - 3. Projected Cash Flow as of February 28, 2018

#### **FISCAL IMPACT:**

See staff reports for fiscal impact.

#### **RECOMMENDATION:**

Approval of the Consent Calendar.

#### **TYPE OF VOTE REQUIRED:**

Majority vote.

#### **REFERENCE MATERIAL(S) ATTACHED:**

- CalMHSA Summary of Contributions by Program
- Cash Balance as of February 28, 2018
- Projected Cash Flow as of February 28, 2018

**California Mental Health Services Authority**  
**Summary of Contributions by Program**  
**2017/2018 Program Year**  
**BASED on Current Funding**

Member	Budget PEI Sustainability	Actual PEI Committed Sustainability	PAID as of 2/28/2018
Alameda	290,883.00	57,157.00	\$57,157.00
Alpine	15,000.00	14,208.00	\$14,208.00
Amador *	-	-	
City of Berkeley	-	40,614.00	\$40,614.00
Butte	25,000.00	35,000.00	\$35,000.00
Calaveras*	-	-	
Colusa	11,414.00	22,732.80	\$22,732.80
Contra Costa	-	78,000.00	\$78,000.00
Del Norte	-	-	
El Dorado	9,471.00	55,000.00	\$55,000.00
Fresno	455,864.01	342,412.80	\$342,412.80
Glenn	20,712.98	24,153.60	\$24,153.60
Humboldt	8,198.31	11,000.00	\$11,000.00
Imperial	48,915.00	48,195.00	\$48,195.00
Inyo	-	-	
Kern	120,019.19	142,333.00	\$142,333.00
Kings	48,373.00	74,592.00	
Lake	-	28,474.36	\$28,474.36
Lassen	11,000.00	19,346.00	\$19,346.00
Los Angeles	2,070,000.00	2,070,000.00	\$2,070,000.00
Madera	15,200.00	15,200.00	\$15,200.00
Marin	75,000.00	80,986.00	\$80,986.00
Mariposa	-	-	
Mendocino	8,625.00	36,940.80	\$36,940.80
Merced	-	-	
Modoc	6,522.00	20,000.00	\$20,000.00
Mono	-	-	
Monterey	252,000.00	167,654.40	\$167,654.40
Napa	10,471.00	48,307.20	\$48,307.20
Nevada	5,000.00	10,000.00	\$10,000.00
Orange	900,000.00	859,201.00	\$859,201.00
Placer	162,000.00	116,505.00	\$116,505.00
Plumas	22,732.80	25,000.00	\$25,000.00
Riverside	526,379.00	526,379.00	\$526,379.00
Sacramento	320,325.00	350,500.00	\$350,500.00
San Benito	-	29,836.80	\$29,836.80
San Bernardino	561,894.00	561,894.00	\$561,894.00
San Diego	400,000.00	400,000.00	\$400,000.00
San Francisco	100,000.00	50,000.00	\$50,000.00
San Joaquin	174,662.00	174,663.00	\$174,663.00
San Luis Obispo	67,308.00	98,035.20	\$98,035.20
San Mateo	95,965.00	122,939.00	\$122,939.00
Santa Barbara	5,000.00	-	
Santa Clara	-	-	
Santa Cruz	-	-	
Shasta	13,000.00	-	
Sierra *	-	-	
Siskiyou	-	25,574.40	\$25,574.40
Solano	60,611.00	72,460.80	\$72,460.80
Sonoma	109,200.00	161,971.20	\$161,971.20
Stanislaus	-	-	
Sutter/Yuba	39,185.00	69,619.20	\$69,619.20
Tehama *	-	-	
Tri-City	15,181.00	17,188.00	\$17,188.00
Trinity	10,000.00	11,126.16	\$11,126.16
Tulare	31,443.17	44,856.00	\$44,856.00
Tuolumne	16,715.00	16,715.00	\$16,715.00
Ventura	53,500.00	59,501.00	\$59,501.00
Yolo	35,000.00	25,000.00	\$25,000.00
<b>Total</b>	<b>7,227,769.46</b>	<b>7,261,271.72</b>	<b>7,186,679.72</b>

\* Not a member county

**California Mental Health Services Authority**  
**Summary of Contributions by Program**  
**2017/2018 Program Year - SHB**  
**BASED on Current Funding**

Member	State Hospital Bed Program	Actual SHB Committed	PAID as of 2/28/2018
Alameda	29,442.00	29,442.00	\$29,442.00
Alpine			
Amador *			
City of Berkeley			
Butte	1,402.00	1,402.00	\$1,402.00
Calaveras*			
Colusa			
Contra Costa	29,442.00	29,442.00	\$29,442.00
Del Norte			
El Dorado	1,402.00	1,402.00	\$1,402.00
Fresno	1,402.00	1,402.00	\$1,402.00
Glenn			
Humboldt	1,402.00		
Imperial	4,206.00	\$4,206.00	\$4,206.00
Inyo			
Kern	11,216.00	\$11,216.00	\$11,216.00
Kings	1,402.00	1,402.00	
Lake			
Lassen			
Los Angeles	269,000.00		
Madera	1,402.00	1,402.00	\$1,402.00
Marin	5,608.00	5,608.00	\$5,608.00
Mariposa			
Mendocino			
Merced			
Modoc			
Mono			
Monterey	5,608.00	5,608.00	\$5,608.00
Napa	4,206.00	4,206.00	\$4,206.00
Nevada			
Orange	23,834.00	\$23,834.00	\$23,834.00
Placer	4,206.00	2,804.00	\$2,804.00
Plumas			
Riverside	26,638.00	26,638.00	\$26,638.00
Sacramento	25,236.00	25,236.00	\$25,236.00
San Benito			
San Bernardino	16,824.00		
San Diego	22,432.00	22,432.00	\$22,432.00
San Francisco	57,482.00		
San Joaquin	4,206.00	\$4,206.00	\$4,206.00
San Luis Obispo	1,402.00	1,402.00	\$1,402.00
San Mateo	7,010.00	7,010.00	\$7,010.00
Santa Barbara	1,402.00	1,402.00	\$1,402.00
Santa Clara	51,874.00		
Santa Cruz	1,402.00		
Shasta			
Sierra *			
Siskiyou			
Solano	4,206.00	\$4,206.00	\$4,206.00
Sonoma	1,402.00	1,402.00	\$1,402.00
Stanislaus	4,206.00	4,206.00	\$4,206.00
Sutter/Yuba			
Tehama *			
Tri-City			
Trinity			
Tulare	4,206.00	4,206.00	
Tuolumne			
Ventura	1,402.00	1,402.00	\$1,402.00
Yolo	1,402.00	\$1,402.00	\$1,402.00
<b>Total</b>	<b>627,912.00</b>	<b>228,526.00</b>	<b>222,918.00</b>

\* Not a member county

**California Mental Health Services Authority**  
**Summary of Contributions by Program**  
**2017/2018 Program Year - Fund Development**  
**BASED on Current Funding**

Member	Fund Development Program	Actual Fund Development Committed	PAID as of 2/28/2018
Alameda	17,843.00	17,843.00	\$17,843.00
Alpine	394.00	394.00	\$394.00
Amador *	756.00	756.00	\$756.00
City of Berkeley	1,514.00	1,514.00	\$1,514.00
Butte	2,893.00	2,893.00	\$2,893.00
Calaveras*	826.00		
Colusa	667.00	667.00	\$667.00
Contra Costa	11,432.00	11,432.00	\$11,432.00
Del Norte	707.00		
El Dorado	2,009.00	2,009.00	\$2,009.00
Fresno	12,453.00	12,453.00	\$12,453.00
Glenn	718.00	718.00	\$718.00
Humboldt	1,787.00	1,787.00	\$1,787.00
Imperial	2,469.00	2,469.00	\$2,469.00
Inyo	478.00		
Kern	10,764.00	10,764.00	\$10,764.00
Kings	2,066.00	2,066.00	
Lake	1,006.00	1,006.00	\$1,006.00
Lassen	705.00	705.00	\$705.00
Los Angeles	142,548.00		
Madera	2,178.00		
Marin	2,833.00	2,833.00	\$2,833.00
Mariposa	480.00		
Mendocino	1,228.00		
Merced	3,693.00	3,693.00	\$3,693.00
Modoc	440.00	440.00	\$440.00
Mono	466.00		
Monterey	5,866.00	5,866.00	\$5,866.00
Napa	1,660.00	1,660.00	\$1,660.00
Nevada	1,328.00	1,328.00	\$1,328.00
Orange	40,799.00	40,799.00	\$40,799.00
Placer	3,495.00	3,495.00	\$3,495.00
Plumas	642.00	642.00	\$642.00
Riverside	26,918.00		
Sacramento	16,312.00	16,312.00	\$16,312.00
San Benito	954.00	954.00	\$954.00
San Bernardino	26,676.00	26,676.00	\$26,676.00
San Diego	40,961.00	40,961.00	\$40,961.00
San Francisco	9,302.00		
San Joaquin	8,562.00	8,562.00	\$8,562.00
San Luis Obispo	3,378.00	3,378.00	\$3,378.00
San Mateo	8,190.00	8,190.00	\$8,190.00
Santa Barbara	5,805.00		
Santa Clara	22,744.00	22,744.00	\$22,744.00
Santa Cruz	3,641.00		
Shasta	2,398.00		
Sierra *	405.00		
Siskiyou	816.00		
Solano	4,992.00	4,992.00	\$4,992.00
Sonoma	5,673.00	5,673.00	\$5,673.00
Stanislaus	6,506.00	6,506.00	\$6,506.00
Sutter/Yuba	2,243.00	2,243.00	\$2,243.00
Tehama *	973.00		
Tri-City	2,819.00	2,819.00	\$2,819.00
Trinity	463.00	463.00	\$463.00
Tulare	6,138.00	6,138.00	\$6,138.00
Tuolumne	906.00	906.00	\$906.00
Ventura	10,352.00		
Yolo	2,735.00		
<b>Total</b>	<b>500,005.00</b>	<b>287,749.00</b>	<b>285,683.00</b>

\* Not a member county

**California Mental Health Services Authority**  
**Summary of Contributions by Program**  
**2017/2018 Program Year**  
**BASED on Current Funding**

Member	PEI	Private	State	Suicide	2017/2018 Total Budget
	Sustainability	Fund Development	Hospital Bed Program	Prevention Program	
	Page 6	Page 8	Page 9		
Alameda	290,883.00	17,843.00	29,442.00		338,168.00
Alpine	15,000.00	394.00			15,394.00
Amador *	-	756.00			756.00
	-	1,514.00			1,514.00
Butte	25,000.00	2,893.00	1,402.00		29,295.00
Calaveras*	-	826.00			826.00
Colusa	11,414.00	667.00			12,081.00
Contra Costa	-	11,432.00	29,442.00		40,874.00
Del Norte	-	707.00			707.00
El Dorado	9,471.00	2,009.00	1,402.00		12,882.00
Fresno	455,864.01	12,453.00	1,402.00	305,615.88	775,334.89
Glenn	20,712.98	718.00			21,430.98
Humboldt	8,198.31	1,787.00	1,402.00		11,387.31
Imperial	48,915.00	2,469.00	4,206.00		55,590.00
Inyo	-	478.00			478.00
Kern	120,019.19	10,764.00	11,216.00		141,999.19
Kings	48,373.00	2,066.00	1,402.00	19,931.47	71,772.47
Lake	-	1,006.00			1,006.00
Lassen	11,000.00	705.00			11,705.00
Los Angeles	2,070,000.00	142,548.00	269,000.00		2,481,548.00
Madera	15,200.00	2,178.00	1,402.00	19,931.47	38,711.47
Marin	75,000.00	2,833.00	5,608.00		83,441.00
Mariposa	-	480.00		6,643.82	7,123.82
Mendocino	8,625.00	1,228.00			9,853.00
Merced	-	3,693.00		53,150.59	56,843.59
Modoc	6,522.00	440.00			6,962.00
Mono	-	466.00			466.00
Monterey	252,000.00	5,866.00	5,608.00		263,474.00
Napa	10,471.00	1,660.00	4,206.00		16,337.00
Nevada	5,000.00	1,328.00			6,328.00
Orange	900,000.00	40,799.00	23,834.00		964,633.00
Placer	162,000.00	3,495.00	4,206.00		169,701.00
Plumas	25,000.00	642.00			25,642.00
Riverside	526,379.00	26,918.00	26,638.00		579,935.00
Sacramento	320,325.00	16,312.00	25,236.00		361,873.00
San Benito	-	954.00			954.00
San Bernardino	561,894.00	26,676.00	16,824.00		605,394.00
San Diego	400,000.00	40,961.00	22,432.00		463,393.00
San Francisco	100,000.00	9,302.00	57,482.00		166,784.00
San Joaquin	174,662.00	8,562.00	4,206.00		187,430.00
San Luis Obispo	67,308.00	3,378.00	1,402.00		72,088.00
San Mateo	95,965.00	8,190.00	7,010.00		111,165.00
Santa Barbara	5,000.00	5,805.00	1,402.00		12,207.00
Santa Clara	-	22,744.00	51,874.00		74,618.00
Santa Cruz	-	3,641.00	1,402.00		5,043.00
Shasta	13,000.00	2,398.00			15,398.00
Sierra *	-	405.00			405.00
Siskiyou	-	816.00			816.00
Solano	60,611.00	4,992.00	4,206.00		69,809.00
Sonoma	109,200.00	5,673.00	1,402.00		116,275.00
Stanislaus	-	6,506.00	4,206.00	54,235.00	64,947.00
Sutter/Yuba	39,185.00	2,243.00			41,428.00
Tehama *	-	973.00			973.00
Tri-City	15,181.00	2,819.00			18,000.00
Trinity	10,000.00	463.00			10,463.00
Tulare	31,443.17	6,138.00	4,206.00	84,325.27	126,112.44
Tuolumne	16,715.00	906.00			17,621.00
Ventura	53,500.00	10,352.00	1,402.00		65,254.00
Yolo	35,000.00	2,735.00	1,402.00		39,137.00
<b>Total</b>	<b>7,230,036.66</b>	<b>500,005.00</b>	<b>627,912.00</b>	<b>543,833.50</b>	<b>8,901,787.16</b>

\* Not a member county



## **Agenda Item 3.B.b**

### **SUBJECT: CASH FLOW MANAGEMENT**

---

#### **ACTION FOR CONSIDERATION:**

For information and discussion.

#### **BACKGROUND AND STATUS:**

Historically, CalMHSA has held adequate balances of cash and investments. Cash balances are decreasing as we payout on the contract obligations, and annual funding is decreasing. After the February 28<sup>th</sup> cash disbursements, our cash balance is \$9.9 million. Cash Management continues to be a priority for CalMHSA, therefore becoming a regular item in the agenda.

#### **As of February 28, 2018:**

- CalMHSA received \$7.2 million (99%) of member committed Phase III PEI funding (\$7.3 million), however the 4% goal (\$12 million) was not attained.
- The State Hospitals program received \$222,918.00 (36%) of member required funding of \$626,912.00, however many counties are in process of getting approvals for the new amendment to the MOU, participation agreements and payments.

#### **FISCAL IMPACT:**

None.

#### **RECOMMENDATION:**

For information and discussion.

#### **TYPE OF VOTE REQUIRED:**

Majority vote.

#### **REFERENCE MATERIALS ATTACHED:**

- Cash Balance as of February 28, 2018
- Projected Cash Flow as of February 28, 2018

**CalMHSA**  
**Cash Balance**  
**As of February 28, 2018**

Cash Balance, 6/30/2017	6,316,053.82
Cash Received 07/01 to 2/28/2018	9,727,056.22
Cash Payments 07/01 to 2/28/2018	(6,163,469.27)
Cash Balance, 2/28/2018	9,879,640.77

<b>Cash Balance by Institution</b>	
California Bank & Trust	711,554.99
Morgan Stanley Smith Barney	1,471.30
Local Agency Investment Fund	9,166,614.48
<b>Cash Total 2/28/18</b>	<b>9,879,640.77</b>

**California Mental Health Services Authority**  
**Projected Cash Flow**  
**2017/2018**

As of February 28, 2018

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Totals
<b>Beginning Cash Balance</b>	6,316,053	5,927,931	7,546,450	11,200,700	10,700,563	10,487,042	10,658,879	10,846,355	9,879,641	9,829,870	9,539,586	8,742,393	6,316,053
<b>Cash Receipts:</b>													
Phase II - Sustainability 16-17				250,000									250,000
Phase III - Sustainability 17-18	102,570	1,203,197	3,567,048	247,045	297,602	714,893	216,275	551,379	237,096	237,096			7,374,202
Private Fund Develop - Member Fee 16-17		22,744					142,548		1,514				166,806
Private Fund Develop - Member Fee 17-18	27,391	103,829	51,216	6,571	16,752	7,271	2,842	45,953	75,169	75,169			412,162
Private Fund Develop - Member Fee 18-19								40,961					40,961
Suicide Prevention Hotline 17-18		517,257	6,644	19,931									543,832
State Hospital Beds 16-17	51,874								269,000				320,874
State Hospital Beds 17-18		92,532	30,844	28,040	16,824	7,010	16,824	30,844	164,643	164,643			552,204
RAND - LA Tech Assist						92,000							92,000
CCBHS Loan Forgiveness Program							300,000						300,000
Other (LAIF Interest, donations, etc.)	20,277	4,864	810,374	30,659		90	31,411	670		30,000			928,345
<b>Total Cash Receipts</b>	<b>202,112</b>	<b>1,944,423</b>	<b>4,466,126</b>	<b>582,246</b>	<b>331,178</b>	<b>821,264</b>	<b>709,900</b>	<b>669,807</b>	<b>747,422</b>	<b>506,908</b>	<b>-</b>	<b>-</b>	<b>10,981,385</b>
<b>Cash Expenses:</b>													
PEI/Phase I Obligations 2014/15								595,812					595,812
Phase II Obligations 2016/17	247,895	133,493	586,410	241,462					80,597	80,597	80,597		1,451,050
Phase III Obligations 2017/18		20,839	23,064	236,463	296,411	412,533	142,549	738,533	365,922	365,922	365,922	365,922	3,334,078
Suicide Prevention Hotline	57,749			160,036	51,532	46,232	32,766		44,410	44,410	44,410	44,410	525,954
Plumas Wellness Center	8,573	60	30,070										38,703
TTACB Contract													-
State Hospital Beds	88,750	18		88,713		575	88,713		114,524	114,524	114,524	114,524	724,864
Fiscal Modernization Project	3,648	10,000											13,648
Sutter	13,183	2,223	16,056	23,475	11,672	7,376	55,482	30,861					160,328
RAND - LA Tech Assist				59,668				20,332					80,000
LA County - Tech Suite						8,999	98	61					9,158
AB1299								1,008					1,008
Orange County							2,863						2,863
WET Program Expenditures													-
Research & Development													-
Private Fund Development	15,000	23,858	15,000	17,780	15,000	15,000	16,847	15,000	21,328	21,328	21,328	21,328	218,796
Other Administrative Expenses	2,433	973	984	1,723	2,374	164	10,306	12,878					31,836
<b>Total Administrative Expenses</b>	<b>155,437</b>	<b>135,413</b>	<b>141,277</b>	<b>254,786</b>	<b>170,084</b>	<b>158,711</b>	<b>183,107</b>	<b>234,913</b>	<b>170,413</b>	<b>170,413</b>	<b>170,413</b>	<b>205,413</b>	<b>2,150,378</b>
<b>Total Cash Expenses</b>	<b>590,234</b>	<b>325,903</b>	<b>811,876</b>	<b>1,082,383</b>	<b>544,699</b>	<b>649,427</b>	<b>522,424</b>	<b>1,636,521</b>	<b>797,192</b>	<b>797,192</b>	<b>797,192</b>	<b>751,595</b>	<b>9,306,640</b>
<b>Ending Cash Balance</b>	<b>5,927,931</b>	<b>7,546,450</b>	<b>11,200,700</b>	<b>10,700,563</b>	<b>10,487,042</b>	<b>10,658,879</b>	<b>10,846,355</b>	<b>9,879,641</b>	<b>9,829,870</b>	<b>9,539,586</b>	<b>8,742,393</b>	<b>7,990,798</b>	<b>7,990,798</b>

## **Agenda Item 4**

### **SUBJECT: CALMHSA FINANCIAL STATEMENT FOR THE QUARTER ENDING DECEMBER 31, 2017**

---

#### **ACTION FOR CONSIDERATION:**

Approval of the CalMHSA Financial Statement for the Quarter ending December 31, 2017 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 December 31, 2017. 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 December 31, 2017 for presentation at the next scheduled Board of Directors Meeting.

#### **TYPE OF VOTE REQUIRED:**

Majority vote.

#### **REFERENCE MATERIALS ATTACHED:**

- CalMHSA Financial Statement Quarter Ending December 31, 2017

**SUMMARY OF SIGNIFICANT CHANGES IN FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2017**

**BALANCE SHEET:**

**Cash and Cash Equivalents** – The total cash balance as of December 31, 2017 is \$10.7 million. This is a decrease of \$500 thousand compared to the \$11.2 million in cash as of September 30, 2017. The decrease in cash is the net result of \$1.7 million cash received during the quarter offset by payments totaling \$2.2 million.

**Receivables** – The balance in accounts receivable as of December 31, 2017, is \$3.0 million. The categories with the most significant balances are as follows:

• PEI Sustainability Funding	\$1,716,038
• State Hospital Beds Program	645,954
• Public/Private Partnership Development	<u>342,378</u>
	\$2,704,370

**Accounts Payable** – The balance in accounts payable as of December 31, 2017, is approximately \$1.4 million. The payables are primarily for payments to program partners. The vendors with the most significant balances are as follows:

• DHCS (disallowed costs)	350,000
• University of California	<u>595,813</u> (paid Feb 2018)
	\$ 945,813

**STATEMENT OF REVENUE AND CHANGES IN NET ASSETS:**

**Operating Revenue** – Total revenue for the six months ended December 31, 2017 was \$9.9 million consisting primarily of revenue for Phase III Sustainability (\$8.1 million), as well as other strategic programs State Hospital Bed Program, Suicide Prevention Hotline, Public/Private Partnership Development and the CCBHS Loan Forgiveness Program.

**Expenses** – Overall expenses for the six months ended December 31, 2017 were \$3.5 million. The expenses consisted mainly of contract expenses and program management and oversight for the Statewide Program (Phase III.)

**CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY**

**UNAUDITED  
BALANCE SHEET**

	<u>December 31, 2017</u>	<u>June 30, 2017</u>
<b>ASSETS</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 10,658,879	\$ 6,309,433
Receivables:		
State Hospital Bed Funds	645,954	320,874
Public/Private Partnership Development	342,378	212,998
Phase III Sustainability	1,716,038	
Phase II Sustainability		250,000
Other	300,000	104,367
Interest	31,396	16,877
Prepaid Expense	15,000	44,580
Total Current Assets	<u>13,709,645</u>	<u>7,259,129</u>
Noncurrent Assets:		
Investments		
Total Assets	<u>\$ 13,709,645</u>	<u>\$ 7,259,129</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 1,385,089	\$ 1,950,660
Deferred Revenue	551,520	52,093
Total Current Liabilities	<u>1,936,609</u>	<u>2,002,753</u>
Net Assets:		
Operations	71,180	527,118
Obligated Funds Under Contract:		
Fiscal Modernization	96,314	96,314
International SDR Conference		(50,116)
Tech Asst/Capacity Building	203,272	203,272
WET Program Funding	148,470	148,470
Plumas Wellness Center	139,626	139,626
Community Response Plan		1,041
PNWE		7,576
Drug Medi-Cal	(6,603)	(6,603)
Orange County	2,862	2,862
Education Development Center, Inc.		2,024
SHB Program Funding	2,058,067	1,683,901
Suicide Prevention Hotline	342,871	119,714
Sutter Health Systems	43,332	190,477
LA County Tech Suite	(9,097)	
LA County Tech Assist		46,788
Public/Private Partnership Development	360,844	253,230
CCBHS Loan Forgiveness Program	300,000	
Statewide PEI Project	8,021,898	1,890,682
Total Net Assets	<u>11,773,036</u>	<u>5,256,376</u>
Total Liabilities and Net Assets	<u>\$ 13,709,645</u>	<u>\$ 7,259,129</u>

**CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY**

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

**For The Six Months Ended December 31, 2017**

	<u>Operations</u>	<u>Strategic Programs</u>	<u>Statewide PEI Program</u>	<u>December 2017 Total</u>	<u>June 2017 Total</u>
<b>OPERATING REVENUES:</b>					
Program Funding Contributions		\$ 1,785,048	\$ 7,865,109	\$ 9,650,157	\$ 6,960,961
Administrative Fee			270,000	270,000	
Private Fund Development Fee		-	-	-	\$ 448,230
Conference Registration				-	-
Donations	\$ 3,500			3,500	-
License Royalty Fee	90			90	600
Application Fee				-	500
Total Operating Revenue	<u>3,590</u>	<u>1,785,048</u>	<u>8,135,109</u>	<u>9,923,747</u>	<u>7,410,291</u>
<b>DIRECT/PROGRAM EXPENSES:</b>					
SDR Conference		(70,000)		(70,000)	-
Program Contract		574,499	1,308,517	1,883,016	6,439,740
DHCS Disallowed Costs			350,000	350,000	
Program Mgmt. & Oversight	331,304	338,036	297,694	967,034	1,172,284
Other Contract Services		-	-	-	70,676
Private Fund Development Contract		-	-	-	90,000
Legal	66,202	-	-	66,202	168,467
Marketing		-	-	-	-
Meeting and Other	35,513	9,709	1,012	46,234	38,679
Total Direct/Program Expenses	<u>433,019</u>	<u>852,244</u>	<u>1,957,223</u>	<u>3,242,486</u>	<u>7,979,847</u>
<b>INDIRECT EXPENSES:</b>					
General Management	46,431	48,786	41,721	136,938	592,412
Other Contract Services	2,550	-	4,742	7,292	30,100
Legal Services	21,418	-	-	21,418	23,218
Insurance	29,583	-	-	29,583	29,920
Investment Management Fees	165	-	-	165	260
Financial Audit		-	-	-	-
Meeting and Other	13,059	12,111	207	25,377	42,922
Total Indirect Expenses	<u>113,206</u>	<u>60,897</u>	<u>46,670</u>	<u>220,773</u>	<u>718,831</u>
Total Expenses	<u>546,225</u>	<u>913,141</u>	<u>2,003,893</u>	<u>3,463,259</u>	<u>8,698,677</u>
Income/(Loss) from Operations	(542,635)	871,907	6,131,216	6,460,488	(1,288,386)
<b>NONOPERATING INCOME:</b>					
Investment Income	49,551			49,551	65,338
Change in Investment Value	6,621			6,621	(11,373)
Total Nonoperating Income	<u>56,172</u>			<u>56,172</u>	<u>53,965</u>
OPERATING TRANSFERS IN	30,525				
OPERATING TRANSFERS OUT		(30,525)			
Total Operating Transfers	<u>30,525</u>	<u>(30,525)</u>			
Change in Net Assets	(455,938)	841,382	6,131,216	6,516,660	(1,234,421)
Beginning Net Assets	<u>527,118</u>	<u>2,838,576</u>	<u>1,890,682</u>	<u>5,256,376</u>	<u>5,256,376</u>
Ending Net Assets	<u>\$ 71,180</u>	<u>\$ 3,679,958</u>	<u>\$ 8,021,898</u>	<u>\$ 11,773,036</u>	<u>\$ 5,256,376</u>

**CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY**

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

**For The Six Months Ended December 31, 2017**

	Strategic Programs							Total Strategic Programs	June 2017 Total	
	Total from Page 4	SHB Program	Suicide Prevention Hotline	Sutter Health Systems	LA County Tech Suite	LA County Tech Assist	Public/Private Partnership Development			CCBHS Loan Forgiveness Program
<b>OPERATING REVENUES:</b>										
Program Funding Contributions	\$ -	\$ 552,204	\$ 543,832				\$ 389,012	\$ 300,000	\$ 1,785,048	\$ 1,523,896
Private Fund Development Fee	-								-	448,230
Conference Registration	-								-	-
Total Operating Revenue		552,204	543,832	-	-	-	389,012	300,000	1,785,048	1,972,126
<b>DIRECT/PROGRAM EXPENSES:</b>										
SDR Conference	(70,000)								(70,000)	-
Program Contract			290,566	147,145		46,788	90,000		574,499	1,123,411
Program Mgmt. & Oversight		154,379	26,408				157,249		338,036	334,799
Other Contract Services									-	65,870
Private Fund Development Contract									-	90,000
Legal									-	796
Travel & Meetings		612			9,097				9,709	11,829
Total Direct/Program Expense	(70,000)	154,991	316,974	147,145	9,097	46,788	247,249		852,244	1,626,705
<b>INDIRECT EXPENSES:</b>										
General Management		23,047	3,701				22,038		48,786	
Other Contract Services									-	
Legal Services									-	
Insurance									-	
Financial Audit									-	
Travel & Meetings							12,111		12,111	
Total Indirect Expenses		23,047	3,701	-	-	-	34,149	-	60,897	
Total Expenses	(70,000)	178,038	320,675	147,145	9,097	46,788	281,398	-	913,141	1,626,705
<b>OPERATING TRANSFERS IN</b>										
<b>OPERATING TRANSFERS OUT</b>	(30,525)								(30,525)	
Total Operating Transfers	(30,525)	-	-	-	-	-	-	-	(30,525)	-
Change in Net Assets	39,475	374,166	223,157	(147,145)	(9,097)	(46,788)	107,614	300,000	871,907	345,421
Beginning Net Assets	544,466	1,683,901	119,714	190,477		46,788	253,230	-	2,838,576	2,493,155
Ending Net Assets	\$ 583,941	\$ 2,058,067	\$ 342,871	\$ 43,332	\$ (9,097)	\$ -	\$ 360,844	\$ 300,000	\$ 3,710,483	\$ 2,838,576



**CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY**

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

**For The Six Months Ended December 31, 2017**

	Strategic Programs										
	Fiscal Modernization	International SDR Conference	Tech Asst/ Capacity Building	WET Program	Wellness Center	Community Response Plan	PNWE	Drug Medi-Cal	Orange County	EDC	Subtotal Strategic Programs
OPERATING REVENUES:											
Program Funding Contributions											\$ -
Private Fund Development Fee											-
Conference Registration											-
Total Operating Revenue	-	-	-	-	-	-	-	-	-	-	-
DIRECT/PROGRAM EXPENSES:											
SDR Conference		(70,000)									(70,000)
Program Contract											-
Program Mgmt. & Oversight											-
Other Contract Services											-
Private Fund Development Contract											-
Legal											-
Travel & Meetings											-
Total Direct/Program Expenses	-	(70,000)	-	-	-	-	-	-	-	-	(70,000)
INDIRECT EXPENSES:											
General Management											
Other Contract Services											
Legal Services											
Insurance											
Financial Audit											
Travel & Meetings											
Total Indirect Expenses											
Total Expenses	-	(70,000)	-	-	-	-	-	-	-	-	(70,000)
OPERATING TRANSFERS IN											
OPERATING TRANSFERS OUT		(19,884)				(1,041)	(7,576)			(2,024)	(30,525)
Total Operating Transfers	-	(19,884)	-	-	-	(1,041)	(7,576)	-	-	(2,024)	(30,525)
Change in Net Assets	-	50,116	-	-	-	(1,041)	(7,576)	-	-	(2,024)	39,475
Beginning Net Assets	96,314	(50,116)	203,272	148,470	139,626	1,041	7,576	(6,603)	2,862	2,024	544,466
Ending Net Assets	\$ 96,314	\$ 0	\$ 203,272	\$ 148,470	\$ 139,626	\$ 0	\$ -	\$ (6,603)	\$ 2,862	\$ -	\$ 583,941

## **Agenda Item 5**

### **SUBJECT: CALMHSA FINANCIAL AUDIT ENGAGEMENT**

---

#### **ACTION FOR CONSIDERATION:**

Discussion and consideration to continue audit contract with James Marta & Company.

#### **BACKGROUND AND STATUS:**

In late 2010 at Board direction, staff engaged James Marta & Company to carry-out a biennial audit for the two-year period ending June 30, 2011 in accordance with Article 7, Section 7.1 of the Bylaws, which states “the Board shall cause to be made, by a qualified, independent individual or firm, an annual audit of the financial accounts and records of the Authority.” On February 10, 2012, the CalMHSA Board of Directors, upon the Finance Ad Hoc Committee’s in-depth review and subsequent recommendation, received and filed the CalMHSA Financial Audit for the Fiscal Years Ended June 30, 2011 and 2010. Upon close of the fiscal year ending June 30, 2012, the Board approved James Marta & Company to carry-out audits for the years ending June 30, 2012, 2013 and June 30, 2014.

At the March 2015 Finance Committee meeting, a recommendation was made to extend the agreement for one year, audit of the year ended June 30, 2015, which was approved. Beyond this date, the Finance Committee discussed continuing with James Marta & Company, resulting in them making a recommendation to the CalMHSA Board to extend the agreement for an additional year, which was approved as follows:

- April 15, 2016 Board approves Finance Committee Recommendation to extend for an addition year, audit of the year ended June 30, 2016.
- April 13, 2017 Board approves Finance Committee Recommendation to extend for an additional year, audit of the year ended June 30, 2017.

We are now in the position of having to make the determination of continuing with James Marta & Company and/or other option.

#### **FISCAL IMPACT**

None.

#### **RECOMMENDATION:**

Discussion and consideration to continue audit contract with James Marta & Company.

**REFERENCE MATERIALS ATTACHED:**

- CalMHSA Financial Audit Engagement Letter Ending June 30, 2015



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

*Accounting, Auditing, Consulting, and Tax*

---

January 9, 2015

Kim Santin, Finance and Administration Director  
George Hills Company, Inc.

Re: California Mental Health Services Authority

Dear Board of Directors

We are pleased to confirm our understanding of the services we are to provide for California Mental Health Services Authority for June 30, 2015, 2016 and 2017.

**I. SCOPE OF WORK**

The following represents our understanding of the services we will provide California Mental Health Services Authority (Authority).

You have requested that we audit the Statement of Net Position of California Mental Health Services Authority as of June 30, 2015, 2016 and 2017, and for the years then ended and the related notes to the financial statements, which collectively comprise Authority's basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual, General Fund – Current Year and Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual, General Fund – Prior Year be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- *Management's Discussion and Analysis*
- *Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual, General Fund – Current Year*
- *Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual, General Fund – Prior Year*

Supplementary information other than RSI will accompany Authority's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole.

### **The Objective of an Audit**

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

### **General Audit Procedures**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) *and in accordance with Government Auditing Standards*, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. 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.

### **Internal Control Audit Procedures**

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS *and in accordance with Government Auditing Standards, and the State Controller's Minimum Audit Requirements for California Special Districts.*

In making our risk assessments, we consider 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. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

### **Compliance with Laws and Regulations**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of California Mental Health Services Authority's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

### **Management Responsibilities**

Our audit will be conducted on the basis that *management* acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- b. For 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c. To provide us with:
  - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
  - ii. Additional information that we may request from management for the purpose of the audit; and
  - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

- d. For including the auditor's report in any document containing financial statements that indicates that such financial statements have been audited by the entity's auditor;
- e. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities; and
- f. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.<sup>1</sup>

As part of our audit process, we will request from *management and, when appropriate, those charged with governance*, written confirmation concerning representations made to us in connection with the audit.

## **Reporting**

We will issue a written report upon completion of our audit of Authority's basic financial statements. Our report will be addressed to the governing body of Authority. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

We also will issue a written 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 Standard upon completion of our audit.

## **Other**

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

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

## **Provisions of Engagement Administration, Timing and Fees**

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

James P. Marta is the engagement partner for the audit services specified in this letter. *His* responsibilities include supervising James Marta & Company's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

### **Fees**

Our fee for the audits will be \$10,710 for 2015, \$10,925 for 2016, and \$11,145 for 2017. We will bill you on a monthly basis for our services and invoices are payable upon presentation. Unpaid fee balances 30 days overdue will bear interest at 18 percent per annum. This fee is based upon the assumption that the closing journal entries will be made and accounting will be finalized and closed before the year end audit fieldwork. Additional time and billing charges will incur if accounting service is provided for closing or reconciling accounting records.

Whenever possible, we will attempt to use your personnel to assist in the preparation of schedules and analyses of accounts. We understand that your employees will prepare all cash or other confirmations we request and will locate any invoices selected by us for testing. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit.

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

In the event we are required to respond to discovery requests, subpoenas, and outside inquiries, we will first obtain your permission unless otherwise required to comply under the law. Our time and expense to comply with such requests will be charged at our standard hour rates in addition to the stated contract.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.



At the conclusion of our audit engagement, we will communicate to the board of directors the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of James Marta & Company, LLC and constitutes confidential information. However, we may be requested to make certain audit documentation available pursuant to authority given to any regulator by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of James Marta & Company, LLC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to any regulator. They may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

### **Mediation Provision**

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

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

We have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.<sup>12</sup>

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

Sincerely,



James P. Marta CPA ARM

Principal  
James Marta & Company LLP  
Certified Public Accountants

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of

California Mental Health Services Authority

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

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

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

## **Agenda Item 6**

### **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:

- Business Model/Conceptual Budget
- 501(c)(3)/Gilbert Engagement Letter
- 1299 Banking Pool
- Other Financial Matters

#### **FISCAL IMPACT:**

None.

#### **RECOMMENDATION:**

None, information only.

#### **TYPE OF VOTE REQUIRED:**

Majority vote.

#### **REFERENCE MATERIAL(S) ATTACHED:**

- None.