

CalMHSA Board of Directors Meeting

MEETING PACKET

October 21, 2026

12:00 p.m. – 1:00 p.m.

CalMHSA Board of Directors Meeting

Wednesday, October 21, 2026

12:00 p.m. – 1:00 p.m.

Registration Link: [Click Here](#)

Agenda

1. Call to Order

2. Roll Call, Instructions and SB 707 Disclosure

3. Instructions for public comment and stakeholder input

The Board welcomes and encourages public participation in its meetings. For agenda items, public comment will be invited at the time those items are addressed. Because the meeting will be held via Zoom Meeting, each interested party is invited to inform CalMHSA staff prior to discussion of the item by sending an email to info@calmhsa.org indicating the item to be addressed. At the end of the meeting, the Board will also provide the public with an opportunity to speak on issues not listed on the agenda.

4. Closed Session: Closed Session: (Gov. Code § 54957.7(a)) The CalMHSA Board of Directors will meet in closed session as permitted by Government Code Section 54957(b). Anticipated Litigation: Significant exposure to litigation pursuant to Gov. Code § 54956.9(d)(2) (two cases); Initiation of litigation pursuant to Gov. Code § 54956.9(d)(4) (one case)

5. Consent Calendar:

- a. Resolution 26-10 Authorizing Remote Teleconferencing Meetings Pursuant to Senate Bill 707
- b. CalMHSA Board of Directors Meeting Minutes from August 19, 2026
- c. Resolution 26-11 Authorizing the Use of a Master Official Bond
- d. Resolution 26-12 Authorizing Investments of Monies in the Local Agency Investment Fund
- e. Resolution 26-13 Approving and Adopting the Capital Assets Policy and Establishing Capital Asset Capitalization Thresholds

Recommendation: Approval of Consent Calendar

6. Executive Director's Report

7. Public Comment on Non-Agenda Items

8. Close Meeting

In compliance with the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, contact info@calmhsa.org. Requests should be made as early as possible and at least one full business day prior to the start of the meeting.

Materials relating to an item on this agenda submitted to this Board after distributing the agenda packet are available for public inspection during normal business hours upon request to info@calmhsa.org.

This meeting will be recorded. By joining the meeting, you give consent to being recorded.

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

RESOLUTION 26-10 AUTHORIZING REMOTE TELECONFERENCING
MEETINGS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES
PURSUANT TO ASSEMBLY BILL 361

#5a

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

Resolution No. 26-10

RESOLUTION AUTHORIZING REMOTE TELECONFERENCING MEETINGS OF THE BOARD OF
DIRECTORS AND BOARD COMMITTEES PURSUANT TO ASSEMBLY BILL 361

WHEREAS, the California Mental Health Services Authority ("CalMHSA") is a local government agency subject to the Ralph M. Brown Act; and

WHEREAS, pursuant to Government Code section 54953.8.2 as added by Senate Bill 707, CalMHSA's Board of Directors and its committees may use teleconferencing and videoconferencing to conduct Board and committee meetings, and may do so without complying with the requirements of Government Code section 54953(b)(3), subject to certain conditions; and

WHEREAS, one condition that would allow CalMHSA to use teleconferencing and videoconferencing to conduct Board and committee meetings, without complying with the requirements of Government Code section 54953(b)(3), occurs when a meeting is held during a proclaimed state of emergency, and the Board determines, by majority vote that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees; and

WHEREAS, on December 9, 2025, the Governor of California proclaimed a state of emergency to exist due to significant wildfire impacts; and

WHEREAS, on December 24, 2025, the Governor of California proclaimed a state of emergency to exist in in several counties due to a storm; and

WHEREAS, on or about December 24, 2025, several counties issued a proclamation of a local emergency due to significant storms; and

WHEREAS, on August 6, 2026, the Governor of California proclaimed a state of emergency to exist due to significant wildfire impacts; and

WHEREAS, on or about September 21, 2026, the Governor of California proclaimed a state of emergency to exist in anticipation of El Niño's anticipated impacts; and

WHEREAS, on or about September 21, 2026, the Governor of California proclaimed several states of emergency to exist in several counties due to storm events; and

WHEREAS, it would be safe, beneficial and efficient for the public and for CalMHSA to use teleconferencing and videoconferencing to conduct the Board of Directors meeting without complying with the requirements of Government Code section 54953(b)(3).

NOW, THEREFORE, BE IT RESOLVED that the Recitals set forth above are true and correct and are incorporated into this Resolution by reference; and

BE IT FURTHER RESOLVED that the CalMHSA Board of Directors has considered the circumstances of the state of emergency and finds that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees;

BE IT FURTHER RESOLVED that the CalMHSA Board of Directors are hereby authorized and directed to take all actions necessary to conduct Board of Directors meetings, without complying with the requirements of Government Code section 54953(b)(3) in accordance with Government Code section 54953(e) and other applicable provisions of the Brown Act; and

BE IT FURTHER RESOLVED that the CalMHSA Executive Director is hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution; and

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of: (i) 30 days from the date of the adoption of this Resolution, or (ii) such time as the Board of Directors adopts a subsequent resolution to continue to teleconference without complying with the requirements of Government Code section 54953(b)(3) in accordance with Government Code section 54953(e)(3); and

BE IT FURTHER RESOLVED that the Board of Directors of CalMHSA hereby ratifies and approves any and all actions taken by the Executive Director, or her designee, prior to the adoption of this resolution, to effectuate the purposes of this Resolution.

PASSED AND ADOPTED by the Board of Directors of the California Mental Health Services Authority on October 21, 2026.

Susan Holt
President

ATTEST:

Karri Eggers, CalMHSA, Chief Operations Officer

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

BOARD OF DIRECTORS MEETING MINUTES FROM AUGUST 19, 2026 #5b

**CalMHSA Board of Directors
Meeting Minutes
August 19, 2026**

BOARD MEMBERS PRESENT

Alpine County, Alternate, Jarod Wolsey
Amador County, Member, Melissa Cranfill
Berkeley City of, Member, Jeffrey Buell MSW
Berkeley City of, Alternate, Karen Klatt
Calaveras County, Member, Wendy Alt
Colusa County, Member, Jeannie Armstrong
Del Norte County, Alternate, Shiann Hogan
Fresno County, Member, Susan L. Holt LMFT
Humboldt County, Member, Emi Botzler-Rodgers MFT
Kern County, Member, Alison Burrowes
Lake County, Member, Elise Jones
Lassen County, Member, Tiffany Armstrong
Los Angeles County, Alternate, Rimmi Hundal
Madera County, Member, Nickie Matus
Mariposa County, Member, Stacey Lynch
Mendocino County, Member, Jenine Miller
Merced County, Member, Kimiko Vang
Modoc County, Member, Stacy Sphar
Mono County, Member, Robin Roberts MFT
Monterey County, Member, Melanie Rhodes
Nevada County, Member, Cari Yardley
Placer County, Member, Amy Ellis MFT
Riverside County, Alternate, Brandon Jacobs MHA
Sacramento County, Member, Ryan Quist Ph.D.
San Bernardino County, Alternate, Marina Espinosa
San Luis Obispo County, Member, Dana McEwen
San Mateo County, Member, Jei Africa
Santa Barbara County, Alternate, Jamie Huthsing
Santa Barbara County, Member, Antonette Navarro
Santa Cruz County, Member, Marni Sandoval
Siskiyou County, Member, Sarah Collard
Sonoma County, Member, Jan Cobaleta-Kegler
Stanislaus County, Member, Ruben Imperial
Tulare County, Member, Dr. Natalie Bolin
Ventura County, Member, Loretta L. Denering DrPH
Yolo County, Alternate, Jennifer Gay

Yolo County, Member, Tony Kildare

MEMBERS OF THE PUBLIC

Public, Alexis Rodriguez

CALMHSA STAFF PRESENT

Allison Bradley, Director of Communications
Amie Miller, Executive Director
Brittany Ganguly, Program Manager
Carmen Salais, Project Coordinator
Courtney Vallejo, Senior Director of EHR Clinical Integration
Dawn Kaiser, Senior Director of Analytics and Insights
Holly Petrosyan, Associate Contracts Specialist
Jeremy Wilson, Senior Program Director
Josh Iverson, Chief Financial Officer
Karleen Jakowski, Senior Director of Cross County Contracts and Partnerships
Karri Eggers, Chief Operations Officer
Lucero Robles, Senior Director of Quality Assurance and Compliance
Magen Jack, Project Manager
Margaret Bruno, Executive Assistant
Sarah O'Malley, Director of Quality Assurance Operations
Stephanie Gamble, Executive Team Operations Manager
Tara Muchow, Office Administrator
Tatiana Ortiz, Executive Assistant- QA and Compliance

OTHERS PRESENT

Randall Keen, Legal Counsel, Manatt, Phelps, & Phillips, LLP

Agenda

A. Open Session

1. Call to Order

President Susan Holt called the Board of Directors meeting to order at 12:03pm on Wednesday, August 19, 2026. Ms. Holt directed Magen Jack, CalMHSA Project Manager, to take the roll call.

2. Roll Call and Instructions

Ms. Jack recorded Board Members and Alternates in attendance and reminded Board Members of SB707 requirements for teleconferencing meetings, which include disclosing the presence of any individual 18 years of age or older in the room and providing their general relation with said individual. A quorum of the Board of Directors was established, and no members reported an individual of 18 years of age or older present.

3. Instructions for public comments and stakeholder input

Ms. Jack reviewed the instructions for public comment and noted that items not on the agenda would be reserved for public comment at the end of the agenda. Public comment is called after each agenda item. Ms. Jack instructed individuals to raise their hands via the raise hand feature on Zoom to indicate their desire to make a public comment.

4. Closed Session

The Board did not move into Closed Session.

5. Consent Calendar

President Susan Holt acknowledged the Consent Calendar as follows:

- a. Board Resolution 26-07 Authorizing Remote Teleconferencing Meetings Pursuant to Senate Bill 707
- b. CalMHSA Board of Directors Meeting Minutes from June 17, 2026
- c. Board Resolution 26-08 Acceptance of Wraparound Immediate Needs (WIN) Program
- d. Board Resolution 26-09 Affirming appointment of Chief Financial Officer

Ms. Holt asked for comments from Board Members. Ms. Jack asked for comments from the public. Hearing no comments or questions, Ms. Holt asked for a motion to approve the Consent Calendar. Upon hearing the motion and second, the President directed Board Members to vote.

Action: Approval of the Consent Calendar

Motion: *Tulare County, Natalie Bolin*

Second: *Ventura County, Loretta L. Denering*

Public Comments: None

Vote: 31

Abstain: 1

San Bernardino, Marina Espinosa

Yes: 30

Alpine County, Alternate, Jarod Wolsey	Amador County, Member, Melissa Cranfill	Berkeley City of, Member Jeffrey Buell MSW	Calaveras County, Member, Wendy Alt
Colusa County, Member Jeannie Armstrong	Del Norte County, Alternate, Shiann Hogan	Fresno County, Member, Susan L. Holt LMFT	Humboldt County, Member, Emi Botzler- Rodgers MFT
Kern County, Member, Alison Burrowes	Lake County, Member, Elise Jones	Lassen County, Member, Tiffany Armstrong	Los Angeles County, Alternate, Rimmi Hundal
Madera County, Member, Nickie Matus	Mariposa County, Member, Stacey Lynch	Mendocino County, Member, Jenine Miller	Mono County, Member Robin Roberts MFT
Monterey County, Member, Melanie Rhodes	Nevada County, Member, Cari Yardley	Riverside County, Alternate, Brandon Jacobs	Sacramento County, Member, Ryan Quist Ph.D.
San Luis Obispo County, Member, Dana McEwen	San Mateo County, Member, Jei Africa	Santa Barbara County, Member, Antonette Navarro	Santa Cruz County, Member, Marni Sandoval
Siskiyou County, Member, Sarah Collard	Sonoma County, Member, Jan Cobaleda- Kegler	Stanislaus County, Member, Ruben Imperial	Tulare County, Member, Dr. Natalie Bolin
Ventura County, Member, Loretta L. Denering DrPH	Yolo County, Member, Tony Kildare		

6. Executive Director's Report

Karleen Jakowski, Senior Director of Cross County Contracts and Partnerships presented the WIN program as a potential statewide third-party administration model to support immediate needs for eligible foster youth and non-minor dependents, funded through BHP reimbursement, alternative spending plans, and flex funds, with scope, budget, and timeline still subject to final agreement.

Dawn Kaiser, Senior Director of Analytics and Insights reported that MY26 HEDIS Participation Agreements were sent in July with four new measures and outlined county choices for measure calculation frequency and data exchange and introduced the HEDIS Communications Portal as the go-to resource for key dates and DHCS materials.

Executive Director Dr. Amie Miller reported on CalMHSA's 2025-26 Annual Report, beginning with Total County Savings and Behavioral Health Transformation, which included the Data Explainer webinar series and dashboard series (attended by more than 700 people across 20 webinars), new Housing and Behavioral Health Guidance resources, first-ever ISL data training and resources resulting in 83 one-on-one county meetings, and a new educational video on understanding county behavioral health.

Under Measuring & Monitoring Impact, staff highlighted that CalMHSA calculated 8 HEDIS measures for 54 counties, provided clinical need estimates for evidence-based practices to 58 counties, expanded the Compass dashboards to 6 across four workspaces for SmartCare counties, supported counties through EQR audits and Performance Improvement Project work, and developed clinical need estimate models for key evidence-based practices supported by 4 webinars attended by nearly 400 people.

Dr. Miller discussed the CalMHSA EHR: A County Collective, noting that SmartCare EHR now serves 27 counties and has collected \$2.1 billion for counties overall (\$454 million for RCM counties), with new revenue cycle management tools, a new statewide ASCMI consent form, and growth of CalMHSA Connex to 25 participating organizations with new ADT integrations.

Under Clinical Care, staff reported a data-driven bed allocation plan added 44 state hospital beds statewide (bringing the total to 625) and produced more than \$30 million in projected county cost avoidance. CalMHSA facilitated a faster provider credentialing process (1,173 providers credentialed with 1.5-day average turnaround) and a psychiatric inpatient concurrent review program covering 34,508 hospitalizations reviewed in CY 2025.

Under Training & Technical Assistance, staff presented a timeline of trainings and webinars offered from July 2025 through May 2026. Finally, under Strengthening the Behavioral Health Workforce, Dr. Miller reported California now has 10,000 certified Medi-Cal Peer Support Specialists (the largest peer workforce in the U.S., up approximately 30 percent this fiscal year), described peer workforce strategies including fee waivers and expanded justice-setting access for nearly 1,000 individuals, highlighted the Peer Hero campaign's reach of 10 million Californians and 46 million impressions, and noted the Remote Clinical Supervision Program engaged 17 counties and 171 behavioral health professionals for more than 7,500 hours of clinical supervision.

Public Comments: None

7. Public Comment on Non-Agenda Items

Ms. Jack invited members of the public to make comments on non-agenda items.

Public comments from the following individual(s):

None

Adjournment: The meeting was adjourned at 12:38pm.

Respectfully submitted,

Ruben Imperial (Secretary)

Date

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

RESOLUTION 26-11 AUTHORIZING THE USE OF A MASTER OFFICAL
BOND
#5c

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

Resolution No. 26-11

RESOLUTION AUTHORIZING THE USE OF A MASTER OFFICIAL BOND

WHEREAS, California Government Code section 1481(b) provides that, notwithstanding any other provision of law, when deemed expedient by the legislative body of a local public agency, a master official bond or other form of master bond may be used to provide coverage for more than one officer, employee, or agent of the local public agency, whether elected or appointed, who is required to give bond; and

WHEREAS, the California Mental Health Services Authority ("CalMHSA") is a local public agency and the Board of Directors ("Board") of CalMHSA is the legislative body of CalMHSA; and

WHEREAS, the Board has determined that it is expedient and in the best interests of CalMHSA to utilize a master official bond or other form of master bond to provide coverage for multiple officers, employees, and agents of CalMHSA who are required to give bond; and

WHEREAS, the use of a master official bond will provide an efficient and streamlined means of administering bond coverage for CalMHSA officers, employees, and agents and will provide appropriate protection for CalMHSA.

NOW, THEREFORE, BE IT RESOLVED, that the Recitals set forth above are true and correct and are incorporated into this Resolution by reference; and

BE IT FURTHER RESOLVED, that the Board hereby determines that it is expedient for CalMHSA to utilize a master official bond or other form of master bond to provide coverage for multiple CalMHSA officers, employees, and agents who are required to give bond; and

BE IT FURTHER RESOLVED, that the bond shall be in the amount of not less than \$50,000, and the premium shall be paid by CalMHSA; and

BE IT FURTHER RESOLVED, that the CalMHSA Executive Director is hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution, including but not limited to obtaining, executing, renewing, and maintaining a master official bond or other form of master bond on behalf of CalMHSA, in an amount and on terms deemed appropriate and consistent with applicable law; and

BE IT FURTHER RESOLVED, that the Board hereby ratifies and approves any and all actions taken by the Executive Director, or their designees, prior to the adoption of this Resolution, to effectuate the purposes of this Resolution.

PASSED AND ADOPTED by the Board of Directors of the California Mental Health Services Authority on October 21, 2026.

Susan Holt
President

ATTEST:

Karri Eggers
CalMHSA, Chief Operations Officer

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

**BOARD RESOLUTION 26-12 AUTHORIZING INVESTMENT OF MONIES IN
THE LOCAL AGENCY INVESTMENT FUND
#5d**

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

Resolution No. 26-12

Replacement of Resolutions 09-04, 15-03

RESOLUTION AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT
FUND

WHEREAS, the Local Agency Investment Fund is established in the State Treasury under Government Code section 16429.1 et. seq. for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Directors of the California Mental Health Services Authority (CalMHSA) hereby finds that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein is in the best interest of CalMHSA.

NOW, THEREFORE, BE IT RESOLVED the CalMHSA Board of Directors hereby authorizes the deposit and withdrawal of CalMHSA monies in the Local Agency Investment Fund in the State Treasury in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein.

BE IT FURTHER RESOLVED, as follows:

Section 1. The following CalMHSA Board officers and designated staff members herein below or their successors in office are hereby authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby:

- | | |
|------------------|----------------------------|
| • President | • Executive Director |
| • Vice-President | • Chief Operations Officer |
| • Secretary | • Chief Financial Officer |
| • Treasurer | |

Section 2. This resolution shall remain in full force and effective until rescinded by CalMHSA's Board of Directors by resolution, and a copy of the resolution rescinding this resolution is filed with the State Treasurer's Office.

PASSED AND ADOPTED by the Board of Directors of the California Mental Health Services Authority on October 21, 2026.

Susan Holt
President

ATTEST:

Karri Eggers, CalMHSA, Chief Operations Officer

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

RESOLUTION 26-13 APPROVING AND ADOPTING THE CAPITAL ASSETS
POLICY AND ESTABLISHING CAPITAL ASSET CAPITALIZATION
THRESHOLDS

#5e

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

Resolution No. 26-13

RESOLUTION APPROVING AND ADOPTING THE CAPITAL ASSETS POLICY AND
ESTABLISHING CAPITAL ASSET CAPITALIZATION THRESHOLDS

WHEREAS, the California Mental Health Services Authority (“CalMHSA”) is a Joint Powers Authority established under California Government Code section 6500 et seq., and is subject to the accountability and annual audit requirements of Government Code section 6505; and

WHEREAS, CalMHSA acquires and holds capital assets using member county funds, program funding, federal and state grants and contracts, and other public resources, and is responsible for safeguarding those assets and reporting them accurately in its financial statements; and

WHEREAS, CalMHSA reports capital assets in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as established by the Governmental Accounting Standards Board (“GASB”), including GASB Statement Nos. 34, 42, 51, 62, 72, 87, 89, 96, and 104 and GASB Implementation Guide No. 2021-1; and

WHEREAS, the Government Finance Officers Association (“GFOA”) recommends that governments establish capitalization thresholds and minimum useful lives for capital assets, maintain control over items that are not capitalized, plan and budget for the maintenance, renewal, and replacement of capital assets, report periodically to the governing body on capital assets, and periodically review their capitalization thresholds; and

WHEREAS, capital assets acquired in whole or in part with federal funds are subject to the property management requirements of Title 2 of the Code of Federal Regulations, Part 200 (“Uniform Guidance”), which, for federal awards issued on or after October 1, 2024, defines equipment as tangible personal property with a per-unit acquisition cost equal to or exceeding the lesser of the entity’s capitalization level or \$10,000, and requires a physical inventory of federally funded equipment at least once every two years; and

WHEREAS, although CalMHSA is not a state agency subject to the State Administrative Manual (“SAM”), CalMHSA considers the property accounting provisions of SAM Chapter 8600 as benchmarks for California public entities; and

WHEREAS, CalMHSA staff have prepared a Capital Assets Policy that establishes CalMHSA’s requirements for the recognition, measurement, depreciation and amortization, safeguarding, tracking, physical inventory, planning, and disposal of capital assets, including right-to-use lease assets, subscription-based information technology arrangements, intangible assets, and controlled (sensitive) assets that fall below the capitalization thresholds; and

WHEREAS, the Capital Assets Policy establishes capitalization thresholds by asset class,

under which land and permanent easements are capitalized regardless of cost; furniture, fixtures, equipment, and computer hardware are capitalized at \$10,000 or more per unit; land improvements, buildings and building improvements, and leasehold improvements are capitalized at \$50,000 or more; and purchased and internally generated software, other intangible assets, right-to-use lease assets, and subscription assets are capitalized at \$100,000 or more; and

WHEREAS, the Capital Assets Policy requires the approval of the Approving Body, defined in the policy as the Board of Directors, the Finance Committee, or the Executive Committee, consistent with the authority delegated by the Board of Directors, for the policy and its capitalization thresholds, acquisitions of real property, major capital projects with an estimated total cost of \$250,000 or more, the target level and any unbudgeted use of a capital asset renewal and replacement reserve, and disposals of assets with a current carrying value or estimated fair value of \$50,000 or more; and

WHEREAS, adoption of the Capital Assets Policy will strengthen CalMHSA's internal controls over its capital assets, support accurate and transparent financial reporting, and promote compliance with applicable federal and state requirements.

NOW, THEREFORE, BE IT RESOLVED that the Recitals set forth above are true and correct and are incorporated into this Resolution by reference; and

BE IT FURTHER RESOLVED that the Board of Directors of CalMHSA hereby approves and adopts the Capital Assets Policy in the form presented to the Board of Directors at this meeting; and

BE IT FURTHER RESOLVED that the Board of Directors hereby approves the capitalization thresholds for each class of capital assets as set forth in Section 6 of the Capital Assets Policy; and

BE IT FURTHER RESOLVED that the Board of Directors hereby authorizes the Executive Director, in consultation with the Chief Financial Officer, to determine whether the Board of Directors, the Finance Committee, or the Executive Committee shall serve as the Approving Body for each matter requiring approval under the Capital Assets Policy, consistent with the authority delegated by the Board of Directors; and

BE IT FURTHER RESOLVED that the Chief Financial Officer is hereby directed to review the Capital Assets Policy and its capitalization thresholds annually and to recommend any changes to the Approving Body, and that any change to the capitalization thresholds shall require the approval of the Approving Body; and

BE IT FURTHER RESOLVED that the CalMHSA Executive Director is hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution and to implement the Capital Assets Policy; and

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately upon its adoption; and

BE IT FURTHER RESOLVED that the Board of Directors of CalMHSA hereby ratifies and

approves any and all actions taken by the Executive Director, or her designee, prior to the adoption of this Resolution, to effectuate the purposes of this Resolution.

PASSED AND ADOPTED by the Board of Directors of the California Mental Health Services Authority on October 21, 2026.

Susan Holt
President

ATTEST:

Karri Eggers, CalMHSA, Chief Operations Officer

CALIFORNIA MENTAL HEALTH SERVICES AUTHORITY

APPENDIX

Internal Policies and Procedures			
California Mental Health Services Authority			
Policy:	Capital Assets		
Approval Date: Pending Approval	Revision Date: N/A	Approved By: Board of Directors	

POLICY

Purpose:

- 1.A. The purpose of this policy is to establish CalMHSA's requirements for the recognition, measurement, depreciation or amortization, safeguarding, planning, and disposal of capital assets. The policy is intended to ensure that capital assets are reported in CalMHSA's financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as established by the Governmental Accounting Standards Board (GASB), consistent with applicable Government Finance Officers Association (GFOA) guidance and with applicable California State and federal requirements.
- 1.B. Capitalization is primarily a financial reporting matter. The thresholds in this policy are designed to allow CalMHSA to report substantially all of the value of its capital assets while avoiding the cost of tracking a large number of small-value items. Assets that fall below the thresholds remain subject to the safeguarding controls described in this policy.

Authority and Applicable Standards:

- 2.A. **Governmental Accounting Standards.** CalMHSA reports capital assets in accordance with the following GASB pronouncements, as amended:
 - 2.A.i **GASB Statement No. 34**, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (reporting of capital assets and depreciation).
 - 2.A.ii **GASB Statement No. 42**, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.
 - 2.A.iii **GASB Statement No. 51**, Accounting and Financial Reporting for Intangible Assets (including internally generated computer software).
 - 2.A.iv **GASB Statement No. 62**, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (including exchanges of nonmonetary assets, such as trade-ins).
 - 2.A.v **GASB Statement No. 72**, Fair Value Measurement and Application (acquisition value of donated capital assets).
 - 2.A.vi **GASB Statement No. 87**, Leases.

- 2.A.vii **GASB Statement No. 89**, Accounting for Interest Cost Incurred before the End of a Construction Period.
- 2.A.viii **GASB Statement No. 96**, Subscription-Based Information Technology Arrangements (SBITAs).
- 2.A.ix **GASB Statement No. 104**, Disclosure of Certain Capital Assets (effective for fiscal years beginning after June 15, 2025; i.e., CalMHSA's fiscal year ending June 30, 2026).
- 2.A.x **GASB Implementation Guide No. 2021-1**, Implementation Guidance Update—2021, Question 5.1 (capitalization of assets whose individual acquisition costs are below the capitalization threshold but that are significant in the aggregate; effective for reporting periods beginning after June 15, 2023, i.e., CalMHSA's fiscal year ending June 30, 2024 and thereafter). Under GASB Statement No. 76, GASB Implementation Guides are category B authoritative GAAP.
- 2.B. **GFOA / GAAFR.** CalMHSA follows the guidance in GAAFR and the GFOA Best Practice, Capitalization Thresholds for Capital Assets, which recommends that governments:
 - 2.B.i Establish a minimum capitalization threshold of \$5,000 for any individual item;
 - 2.B.ii Establish a minimum useful life of at least two years for any individual item (see Section 6.B regarding CalMHSA's minimum useful life);
 - 2.B.iii Consider different dollar thresholds for different classes of capital assets;
 - 2.B.iv Apply thresholds to individual items rather than to groups of similar items, unless the effect of doing so would be to eliminate a significant portion of total capital assets;
 - 2.B.v Periodically review capitalization thresholds;
 - 2.B.vi Be aware of federal capitalization threshold requirements when receiving federal awards; and
 - 2.B.vii Exercise control over potentially capitalizable items that fall below the threshold but require special attention.
- 2.C. **Other GFOA Best Practices.** CalMHSA also follows, in a manner proportionate to the size and nature of its capital assets, these GFOA Best Practices: (i) Capital Asset Management, which recommends a complete inventory of capital assets linked to the accounting records, periodic assessment of asset condition, condition and performance standards, evaluation of whether existing assets remain the most appropriate means of delivering services, planning and budgeting for maintenance, renewal, and replacement, and periodic reporting to the governing body; (ii) Control Over Items That Are Not Capitalized, which recommends assigned responsibility for controlled items, an annual list and certification of those items, and periodic verification by the central accounting function; and (iii) Strategies for Establishing Capital Asset Renewal and Replacement Reserve Policies, which recommends a written policy governing the accumulation and use of any capital reserve. These practices are addressed in Sections 13, 15, 16, and 20.
- 2.D. **California State Guidance.** CalMHSA is a Joint Powers Authority established under California Government Code Section 6500 et seq. and is subject to the

accountability and annual audit requirements of Government Code Section 6505. Although CalMHSA is not a state agency subject to the State Administrative Manual (SAM), CalMHSA considers the following SAM Chapter 8600 (Property Accounting) provisions as benchmarks for California public entities. Where this policy differs from these benchmarks (for example, in its dollar thresholds), this policy governs.

- 2.D.i **SAM 8602** – Tangible and intangible capital assets are capitalized when they have an expected useful life of greater than one year and a per-unit cost of \$5,000 or more; identical items may not be aggregated to meet the threshold. Right-to-use lease assets are capitalized when total lease payments over the lease term are \$100,000 or more and the lease term exceeds 12 months. SBITA assets are capitalized when total subscription payments are \$50,000 or more and the noncancelable term exceeds 12 months. For financial reporting purposes, the requirement in GASB Implementation Guide 2021-1, Question 5.1, to capitalize assets that are significant in the aggregate (Section 7.B) takes precedence over the SAM 8602 prohibition on aggregating identical items.
- 2.D.ii **SAM 8603** – Non-capitalized property is expensed, and adequate control is maintained over sensitive and high-risk items that are prone to theft or loss or may contain sensitive data.
- 2.D.iii **SAM 8652** – A physical count of property must be performed and reconciled to the accounting records at least once every three years.
- 2.E. **Federal Requirements.** Whenever capital assets are acquired in whole or in part with federal funds (directly or as a pass-through), Title 2 U.S. Code of Federal Regulations (CFR) Part 200 (Uniform Guidance) also applies, including:
 - 2.E.i **2 CFR 200.1** – “Equipment” is tangible personal property (including information technology systems) with a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by CalMHSA for financial statement purposes or \$10,000. Because CalMHSA’s equipment threshold is \$10,000, the \$10,000 threshold also governs CalMHSA’s federal equipment determinations.
 - 2.E.ii **2 CFR 200.313** – Equipment property records, physical inventory at least once every two years, control systems, and disposition requirements.
 - 2.E.iii **2 CFR 200.439** – Prior written approval requirements for capital expenditures charged to federal awards.
- 2.F. **Order of Precedence.** Where GAAP, this policy, a federal or state award, or a contract imposes different requirements, the most restrictive applicable requirement governs for the assets subject to it. However, the recognition and measurement of capital assets in CalMHSA’s financial statements is always governed by GAAP. Federal, state, and contract requirements that are more restrictive than GAAP govern the tracking, inventory, use, and disposition of the assets subject to them, but do not change how those assets are reported in the financial statements.

Scope:

- 3.A. This policy applies to all assets acquired by CalMHSA through purchase, construction, internal development, lease, subscription, or donation, regardless of

funding source (member county funds, program funding, federal or state grants and contracts, or donations), and to all CalMHSA programs, departments, and funds.

- 3.B. This policy does not apply to equipment or other assets purchased by program partners, contractors, or subrecipients with CalMHSA funds where title vests in that party. Such purchases are recorded as program expenditures. Program Directors are responsible for ensuring that any property provisions in those agreements (for example, requirements to track or return equipment) are monitored.

Definitions:

- 4.A. **Acquisition Value** – The price that would be paid to acquire an asset with equivalent service potential on the date received; used for donated capital assets (GASB 72).
- 4.B. **Approving Body** – Where this policy requires the approval of, or a report to, the Approving Body, the Executive Director, in consultation with the Chief Financial Officer, determines the appropriate body to consider the item, consistent with the authority delegated by the Board of Directors.
- 4.C. **Assets Significant in the Aggregate (Group Asset)** – Assets of a similar nature, each with an individual acquisition cost below the applicable capitalization threshold, that are acquired together or as part of a single project or program and whose combined cost is significant to CalMHSA’s financial statements (GASB Implementation Guide 2021-1, Question 5.1). See Section 7.B.
- 4.D. **Capital Asset** – Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art, intangible assets, right-to-use lease assets, subscription assets, and all other tangible or intangible assets that are used in operations that have initial useful lives extending beyond a single reporting period.
- 4.E. **Capital Asset Held for Sale** – A capital asset that CalMHSA has decided to sell where it is probable that the sale will be finalized within one year of the financial statement date (GASB 104).
- 4.F. **Capitalization Threshold** – The minimum acquisition cost at or above which an asset is recorded as a capital asset on the Statement of Net Position, subject to the applicable useful-life requirement.
- 4.G. **Collection** – A group of works of art, historical treasures, or similar assets that meets the criteria in Section 6.C.
- 4.H. **Condition Assessment** – A documented evaluation of an asset’s physical condition and functional performance compared to the standards established under Section 20.B.
- 4.I. **Construction / Development in Progress** – Costs accumulated for a capital asset that has not yet been placed in service.
- 4.J. **Controlled (Sensitive) Asset** – An item below the capitalization threshold that is tracked for safeguarding purposes because it is portable, attractive, or readily misappropriated, is required to be tracked under a grant, contract, or other legal provision, or may contain confidential data.
- 4.K. **Historical Cost** – The purchase price or construction cost of an asset plus all costs

necessary to place the asset in its intended location and condition for use.

- 4.L. **Improvement (Betterment)** – An expenditure that extends the useful life of an existing capital asset, increases its capacity or efficiency, or improves the quality of its output.
- 4.M. **Intangible Asset** – An asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period (for example, software, licenses, easements).
- 4.N. **Internally Generated Software** – Software developed in-house by CalMHSA staff or by a third-party contractor on CalMHSA's behalf, or commercially available software that requires more than minimal modification before it is ready for use.
- 4.O. **Lease Asset** – An intangible right-to-use asset recognized by CalMHSA as lessee under GASB 87.
- 4.P. **Net Book Value** – Historical cost less accumulated depreciation or amortization.
- 4.Q. **Repairs and Maintenance** – Expenditures that keep an asset in its normal operating condition without extending its useful life or increasing its capacity or efficiency. These are always expensed.
- 4.R. **Subscription Asset** – An intangible right-to-use asset recognized for a SBITA under GASB 96, representing the right to use a vendor's information technology software, alone or with underlying tangible IT assets.
- 4.S. **Unit (Individual Item)** – A single asset that functions independently. Components that cannot operate independently and are purchased and placed in service together as one functioning system (for example, a server with its integral components) are considered one unit.
- 4.T. **Useful Life** – The estimated period over which an asset is expected to provide service to CalMHSA.

5. General Capitalization Criteria:

- 5.A. An asset is capitalized only when all of the following criteria are met:
 - 5.A.i CalMHSA holds title to the asset or controls the right to use it (see Section 5.D for assets to which no party holds legal title);
 - 5.A.ii The asset is acquired for use in CalMHSA's operations or programs and not for resale in the ordinary course of business;
 - 5.A.iii The asset has an estimated useful life of more than one year; and
 - 5.A.iv The per-unit cost equals or exceeds the capitalization threshold for its asset class in Section 6, or the asset is part of a group of assets that is significant in the aggregate under Section 7.B.
- 5.B. Assets that do not meet all of these criteria are expensed in the period acquired. Items below the threshold that meet the criteria for controlled assets are tracked in accordance with Section 13.
- 5.C. Similar assets should be treated consistently. The Chief Financial Officer may approve capitalization of an item to maintain consistency with the treatment of similar items, provided the reason is documented.

- 5.D. **Assets Without Legal Title.** When a capital asset is acquired or funded jointly by CalMHSA and one or more other governmental entities and no party holds legal title to it, the Controller determines which entity controls the asset for financial reporting purposes based on the applicable agreement and the facts and circumstances, including the parties' respective rights to use, manage, and obtain service capacity from the asset. CalMHSA capitalizes such an asset only if CalMHSA controls the asset for financial reporting purposes. Program Directors identify agreements that provide for jointly acquired or jointly funded assets, and the Controller documents the control determination and the agreement provisions relied on.

Capitalization Thresholds:

- 6.A. CalMHSA establishes the following capitalization thresholds by asset class. Thresholds apply to the per-unit cost of each individual item, except for assets that are significant in the aggregate, which are capitalized as described in Section 7.B.

Asset Class	Capitalization Threshold	Depreciated / Amortized?	Basis
Land and permanent easements	Capitalized regardless of cost	No	GASB 34; common governmental practice
Land improvements	\$50,000	Yes	GFOA (class-based threshold)
Buildings and building improvements	\$50,000	Yes	GFOA (class-based threshold)
Leasehold improvements (to leased office space)	\$50,000	Yes	GFOA (class-based threshold)
Furniture, fixtures, and equipment	\$10,000 per unit	Yes	GFOA (class-based threshold); 2 CFR 200.1
Computer hardware and IT equipment	\$10,000 per unit	Yes	GFOA (class-based threshold); 2 CFR 200.1
Purchased software and perpetual licenses; other purchased intangibles	\$100,000 per item	Yes (unless indefinite life)	GASB 51; GFOA (class-based threshold)
Internally generated software (including websites and applications)	\$100,000 in application development stage costs per project	Yes	GASB 51; GFOA (class-based threshold)
Right-to-use lease assets (CalMHSA as lessee)	Total payments of \$100,000 or more over the lease term (Section 11.C), and maximum possible term greater than 12 months	Yes	GASB 87; SAM 8602
Subscription assets (SBITAs)	Total payments of \$100,000 or more over the subscription term (Section 11.C), and maximum possible term greater than 12 months	Yes	GASB 96

Asset Class	Capitalization Threshold	Depreciated / Amortized?	Basis
Works of art, historical treasures, and similar assets	Not capitalized if part of a collection (Section 6.C); otherwise \$10,000 per item	Only if exhaustible	GASB 34; collection election
Construction / development in progress	Threshold of the completed asset class	No (until placed in service)	GASB 34

- 6.B. The \$10,000 threshold for equipment exceeds the \$5,000 minimum recommended by GFOA and, under 2 CFR 200.1, results in the same \$10,000 threshold applying for federal equipment purposes. The higher thresholds for land improvements, buildings, leasehold improvements, software, leases, and SBITAs are elections permitted by GFOA's recommendation to consider different thresholds for different classes of assets. These thresholds are intended to allow CalMHSA to report substantially all of the value of its capital assets while avoiding the cost of tracking a large number of small-value items. CalMHSA's minimum useful life of more than one year is consistent with the definition of capital assets in GASB 34 and the definition of equipment in 2 CFR 200.1 and SAM 8602. It is shorter than the two-year minimum recommended by GFOA, but CalMHSA's dollar thresholds, which exceed the GFOA minimum, are intended to prevent the capitalization of immaterial short-lived items. Land and permanent easements, if any, are capitalized regardless of cost because they are not depreciated and are generally significant.
- 6.C. **Works of Art, Historical Treasures, and Similar Assets.** Consistent with GASB 34, CalMHSA elects not to capitalize works of art, historical treasures, and similar assets, regardless of cost, that are part of a collection meeting all of the following criteria:
- 6.C.i The collection is held for public exhibition, education, or research in furtherance of public service, rather than for financial gain;
 - 6.C.ii The collection is protected, kept unencumbered, cared for, and preserved; and
 - 6.C.iii The collection is subject to a CalMHSA policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection.
- 6.D. **Items Not Part of a Collection.** Works of art, historical treasures, and similar assets that do not meet the criteria in Section 6.C are capitalized if their cost, or acquisition value if donated, is \$10,000 or more. Inexhaustible items are not depreciated. Donated collection items that are not capitalized are recognized as revenue and a corresponding expense, and collections that are not capitalized are described, with the reasons they are not capitalized, in the notes to the financial statements.
- 6.E. **Applying the Threshold.** Consistent with the GFOA Best Practice, Capitalization Thresholds for Capital Assets, the threshold test is applied to the acquisition cost of the asset, meaning its purchase or contract price plus the costs directly necessary to place it in service. Once an asset meets the threshold, it is recorded at its full historical cost as described in Section 8. Under Section 5.C, the Chief Financial Officer may approve capitalization of an item that falls below the threshold so that its treatment is consistent with similar items that have been capitalized.

Limitations and Exclusions:

- 7.A. **Individual Item Basis.** Capitalization thresholds are generally applied to individual items rather than to groups of similar items. Components that together form a single functioning unit, as defined in Section 4, are treated as one item. Individually low-cost items are capitalized when they are significant in the aggregate, as described in Section 7.B.
- 7.B. **Assets Significant in the Aggregate.** Consistent with GASB Implementation Guide 2021-1, Question 5.1, and the GFOA Best Practice, Capitalization Thresholds for Capital Assets, CalMHSA capitalizes assets whose individual acquisition costs are below the applicable threshold when those assets are significant in the aggregate. A group of similar assets acquired in a single purchase, or as part of a single project, program launch, office build-out, or technology refresh within the same fiscal year, with a combined cost of \$100,000 or more is presumed to be significant for purposes of this policy, subject to the Controller's assessment of materiality and the nature of the assets. A group asset is recorded as a single capital asset in the capital asset register, supported by a listing of the individual items, and depreciated over the useful life of those items. The Assistant Controller evaluates purchases for aggregate significance during the review described in Section 15.B and, at fiscal year-end, the Controller evaluates whether non-capitalized assets, in total, are significant to the financial statements. The Chief Financial Officer documents the basis for any conclusion that departs from the presumption in this paragraph. In applying this section, significance and materiality are evaluated in the context of CalMHSA's financial statements as a whole, considering the nature and magnitude of the assets and the needs of financial statement users.
- 7.C. **No Splitting of Purchases.** Purchases may not be split across multiple purchase orders, invoices, or periods to avoid capitalization or the procurement thresholds in the Procurement policy.
- 7.D. **Items Always Expensed.** The following are expensed regardless of cost:
- 7.D.i Repairs and maintenance, including routine painting, patching, and replacement of minor parts;
 - 7.D.ii Supplies and consumables;
 - 7.D.iii Software maintenance, support, and annual license or subscription fees that do not meet the SBITA criteria;
 - 7.D.iv Training costs, including training related to new software or equipment;
 - 7.D.v Data conversion costs, except for costs necessary to make new software operational during the application development or implementation stage;
 - 7.D.vi General and administrative overhead not directly attributable to a capital project;
 - 7.D.vii Interest cost incurred before the end of a construction period (GASB 89);
 - 7.D.viii Short-term leases and short-term SBITAs with a maximum possible term of 12 months or less;
 - 7.D.ix Extended warranties and service contracts purchased separately from the asset or listed as a separate line item on the invoice (extended warranties and

maintenance agreements that are bundled with the asset and not separately priced are included in the asset's cost); and

- 7.D.x Items with an estimated useful life of one year or less.
- 7.E. **Program Partner Purchases.** Assets purchased by program partners, contractors, or subrecipients are not capitalized by CalMHSA unless title transfers to CalMHSA.
- 7.F. **Federal Equipment.** Expensing an item for financial reporting does not relieve CalMHSA of federal or state property management requirements that apply to the item.

Measurement and Cost Basis:

- 8.A. **Capital assets are recorded at historical cost.** Historical cost includes the purchase price or construction cost and the costs necessary to place the asset in its intended location and condition for use, such as:
 - 8.A.i Freight and delivery charges;
 - 8.A.ii Sales and use taxes;
 - 8.A.iii Installation, assembly, site preparation, and testing;
 - 8.A.iv Professional fees (for example, architectural, engineering, legal, and title fees) directly related to the acquisition; and
 - 8.A.v Direct internal labor and contractor costs, and indirect costs that pertain only to the capital project (but not general administrative overhead; see Section 7.D), for assets constructed or developed by or for CalMHSA.
- 8.B. Trade discounts and rebates reduce the recorded cost of the asset. When an existing capital asset is traded in toward the acquisition of a similar asset, the traded-in asset is removed from the capital asset register in accordance with Section 18, and, consistent with GASB Statement No. 62, the new asset is recorded at the cash or other consideration paid plus the net book value of the traded-in asset. If the fair value of the traded-in asset is less than its net book value, a loss is recognized for the difference, and the new asset is recorded at the consideration paid plus the fair value of the traded-in asset. The Controller documents the fair value used.
- 8.C. Donated capital assets are recorded at acquisition value on the date received (GASB 72), plus any ancillary costs necessary to place them in service. Acceptance of donated assets must be approved by the Chief Financial Officer.
- 8.D. When historical cost is not available, estimated historical cost may be used, based on documented and reasonable methods approved by the Controller.
- 8.E. Costs of assets under construction or development are accumulated in a construction / development in progress account and transferred to the appropriate asset class when the asset is placed in service. Costs are accumulated in construction / development in progress only for projects expected to meet the applicable capitalization threshold upon completion. At fiscal year-end, Program Directors report the status of each open project to Accounting, including fiscal year-to-date and inception-to-date costs and the expected in-service date.

Improvements versus Repairs:

- 9.A. Expenditures on existing capital assets are capitalized only when the cost equals or exceeds the threshold for that asset class and the expenditure does at least one of the following:
 - 9.A.i Extends the asset's useful life beyond its original estimate;
 - 9.A.ii Increases the asset's capacity or efficiency; or
 - 9.A.iii Improves the quality of the asset's output or adds new functionality.
- 9.B. Expenditures that do not meet the criteria in Section 9.A are expensed. When a component of a capital asset is replaced, the cost and accumulated depreciation of the replaced component are removed from the records where they can be reasonably determined.
- 9.C. **Leasehold Improvements.** Improvements to space that CalMHSA leases are capitalized as leasehold improvements when they meet the threshold in Section 6, and are amortized over the shorter of the remaining lease term or the useful life of the improvement. If the lease contains an option to renew and it is not reasonably certain that the option will be exercised, the improvement is amortized over the shorter of the initial lease term or the useful life of the improvement. Improvements made by CalMHSA in lieu of rent are not capitalized as leasehold improvements; they are evaluated as lease payments under Section 11. Movable furniture and equipment that is not attached to the leased space is not a leasehold improvement.

Intangible Assets and Internally Generated Software:

- 10.A. Intangible assets that meet the applicable recognition criteria are capitalized when they meet the thresholds in Section 6 (GASB 51).
- 10.B. Costs of internally generated software, including websites and web or mobile applications developed for CalMHSA programs, are classified into three stages:
 - 10.B.i **Preliminary Project Stage** – Conceptual formulation, evaluation of alternatives, and selection of a vendor or solution. Costs are expensed.
 - 10.B.ii **Application Development Stage** – Design, configuration, coding, installation of hardware, testing, and data conversion necessary to make the software operational. Costs are capitalized after the activities of the preliminary project stage have been completed and management has authorized and committed funding for the project.
 - 10.B.iii **Post-Implementation / Operation Stage** – Training, routine maintenance, content updates, and general support. Costs are expensed.
- 10.C. Modifications to existing software are capitalized only if they increase functionality, capacity, or efficiency, or extend the useful life of the software, and the threshold is met.
- 10.D. Intangible assets with indefinite useful lives (for example, permanent easements) are not amortized but are evaluated for impairment.

Leases and Subscription-Based IT Arrangements:

- 11.A. **Leases (GASB 87).** At lease commencement, for leases that meet the threshold in Section 6, CalMHSA recognizes a lease liability, measured at the present value of payments expected during the lease term, and an intangible right-to-use lease asset. Contracts that transfer ownership of the underlying asset at the end of the contract are reported as financed purchases of the underlying asset.
- 11.B. **SBITAs (GASB 96).** For SBITAs that meet the threshold in Section 6, CalMHSA recognizes a subscription liability and a subscription asset. Preliminary project stage costs are expensed; initial implementation stage costs are capitalized as part of the subscription asset; operation and additional implementation stage costs are generally expensed.
- 11.C. **Threshold Measurement.** For the lease and SBITA thresholds in Section 6, total payments are determined in accordance with GASB 87 and GASB 96, as applicable. The threshold calculation uses the undiscounted payments included in measuring the lease or subscription liability over the applicable lease or subscription term. The term test uses the maximum possible term under the contract, including any options to extend, consistent with the definitions of short-term leases and short-term SBITAs. The threshold is evaluated before applying a discount rate.
- 11.D. **Discount Rate.** Liabilities are measured using the interest rate stated or implicit in the contract or, if not readily determinable, CalMHSA's estimated incremental borrowing rate, as documented by the Controller.
- 11.E. **Contract Review.** The Assistant Controller reviews all new, renewed, and amended agreements for real estate, equipment, and cloud-based or hosted software to determine whether they contain a lease or SBITA. Program staff, the IT Analyst, and those responsible for procurement must forward such agreements to Accounting upon execution. Accounting maintains a schedule of all leases and SBITAs, including those below threshold.
- 11.F. Leases and SBITAs that do not meet the thresholds in Section 6 are not capitalized under this policy. The Controller evaluates annually whether below-threshold arrangements are material in the aggregate. Arrangements that are significant in the aggregate are recognized in accordance with Section 7.B and GASB 87 or GASB 96, as applicable.

Depreciation and Amortization:

- 12.A. Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives, with no salvage value unless salvage value is expected to be significant. Capital assets that are fully depreciated but still in use remain in the capital asset register until they are disposed of.
- 12.B. Depreciation begins in the month the asset is placed in service. For administrative consistency, CalMHSA does not record depreciation in the month of disposal.
- 12.C. Land, construction / development in progress, inexhaustible works of art, and intangible assets with indefinite useful lives are not depreciated or amortized.
- 12.D. The following estimated useful lives are used unless the Chief Financial Officer approves a different life based on documented expected use:

Asset Class	Estimated Useful Life
Buildings	40 years
Building improvements	15 – 20 years
Land improvements	15 – 20 years
Leasehold improvements	Shorter of the remaining lease term (see Section 9.C) or 15 years
Furniture and fixtures	7 – 10 years
Office and audiovisual equipment	5 years
Computer hardware, servers, and network equipment	3 – 5 years
Vehicles	5 – 8 years
Purchased software and licenses	3 – 5 years (or license term, if shorter)
Internally generated software	3 – 7 years
Right-to-use lease assets	Shorter of the lease term or the useful life of the underlying asset
Subscription assets	Shorter of the subscription term or the useful life of the underlying IT assets

- 12.E. Useful lives are assigned by the Assistant Controller at acquisition and reviewed annually, taking into consideration expected use, technological obsolescence, vendor support, contractual restrictions, security requirements, and expected replacement cycles. Changes in estimated useful lives are applied prospectively.

Controlled (Sensitive) Non-Capitalized Assets:

- 13.A. Consistent with the GFOA recommendations in its Best Practices, Capitalization Thresholds for Capital Assets and Control Over Items That Are Not Capitalized, and SAM 8603, CalMHSA maintains control over items below the capitalization threshold that require special attention. The following items are tracked as controlled assets and expensed for financial reporting:
- 13.A.i All laptops, desktops, tablets, mobile phones, and portable storage devices, regardless of cost, because they may contain confidential information;
 - 13.A.ii Other portable or attractive items (for example, cameras, projectors, and audiovisual equipment) with a unit cost of \$1,000 to \$9,999;
 - 13.A.iii Items of any cost that a grant, contract, or other legal provision requires CalMHSA to track, report, or return.
- 13.B. The IT Analyst maintains the controlled asset inventory, including asset tag or serial number, description, assigned employee, location, and acquisition date and cost. Each item is assigned to an employee custodian who acknowledges receipt in writing.
- 13.C. Controlled assets must be returned upon separation from employment, consistent with the Information Technology and Payroll policies. Lost or stolen items must be reported to the IT Analyst and the Chief Financial Officer immediately, and no later than the next business day, so that access can be disabled and data protected.

- 13.D. **Assigned Responsibility.** The IT Analyst is responsible for controlled IT devices. For other controlled assets, each Program Director designates in writing the individual responsible for the controlled assets used by the program, and communicates the designation, and any change to it, to the IT Analyst and the Assistant Controller.
- 13.E. **Annual List and Certification.** At the close of each fiscal year, the IT Analyst and each designated individual prepare a complete list of the controlled assets for which they are responsible, with an explanation of changes from the prior year (additions, transfers, disposals, and losses). The IT Analyst and each Program Director certify to the Assistant Controller that the lists are on file and available for inspection and are reliable and complete.
- 13.F. **Verification.** Accounting verifies the controlled asset lists through the physical inventory described in Section 16.C. Because that inventory is performed at least once every two years, it exceeds the GFOA recommendation that controlled items be verified at least once every five years.

Assets Acquired with Federal or State Awards:

- 14.A. Equipment acquired in whole or in part with federal funds is managed in accordance with 2 CFR 200.313 and the terms of the award. The capital asset records for such equipment must include:
 - 14.A.i Description, serial number or other identification number, and asset tag;
 - 14.A.ii Source of funding, including the Federal Award Identification Number (FAIN);
 - 14.A.iii Who holds title;
 - 14.A.iv Acquisition date and cost, and the percentage of federal participation in the cost;
 - 14.A.v Location, use, and condition; and
 - 14.A.vi Ultimate disposition data, including date of disposal and sale price.
- 14.B. A physical inventory of federally funded equipment is taken and reconciled with the property records at least once every two years.
- 14.C. Prior written approval of the awarding agency or pass-through entity is obtained before charging capital expenditures to a federal award when required by 2 CFR 200.439 (including general purpose equipment, buildings, and land, and special purpose equipment with a unit cost of \$10,000 or more), unless the expenditure was included in an approved budget or the requirement has been waived.
- 14.D. When federally funded equipment is no longer needed for the original or other federally funded programs, it may be retained, sold, or otherwise disposed of with no further obligation to the awarding agency if its per-unit fair market value is \$10,000 or less, subject to any contrary requirement of the federal award, federal awarding agency, or pass-through entity. If the fair market value exceeds \$10,000, CalMHSA must compensate the awarding agency for its share or follow the agency's disposition instructions. Awards issued before October 1, 2024 may remain subject to the prior \$5,000 threshold, depending on the applicable federal agency's implementation of the revised requirements; the terms of each award govern.
- 14.E. State contracts and grant agreements frequently include their own property

provisions (for example, title, inventory reporting, and return requirements). Program Directors and the Assistant Controller are responsible for identifying and complying with those provisions.

- 14.F. **Use and Management of Federally Funded Property.** In addition to the requirements above, for equipment, and any real property, acquired in whole or in part with federal funds, CalMHSA:
- 14.F.i Uses the equipment for the authorized purposes of the project for as long as it is needed, whether or not the project continues to be supported by federal funds, and, when it is no longer needed for that purpose, uses it in other activities supported first by the federal awarding agency that funded it and then by other federal agencies (2 CFR 200.313(c));
 - 14.F.ii Does not use the equipment to provide services to non-federal outside organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by federal statute;
 - 14.F.iii Does not encumber the property without the approval of the federal awarding agency or pass-through entity;
 - 14.F.iv When acquiring replacement equipment, may use the equipment to be replaced as a trade-in, or sell it and apply the proceeds to the cost of the replacement, subject to the approval of the federal awarding agency or pass-through entity;
 - 14.F.v Maintains a control system to prevent loss, damage, or theft of the property, and fully investigates and documents any loss, damage, or theft;
 - 14.F.vi Implements adequate maintenance procedures to keep the property in good condition;
 - 14.F.vii When authorized or required to sell the property, uses sales procedures that provide for competition to the extent practicable and result in the highest possible return; and
 - 14.F.viii For any real property acquired with federal funds, uses the property only for its authorized purpose and requests disposition instructions from the federal awarding agency when it is no longer needed (2 CFR 200.311).

Acquisition, Recording and Tagging:

- 15.A. All capital asset purchases follow the Procurement and Disbursements policies. Purchase requests for items expected to meet a capitalization threshold must be identified as such and coded to the appropriate capital outlay account. Acquisitions of land, buildings, or other real property interests, and major capital projects as defined in Section 20.E, require the approval of the Approving Body.
- 15.B. The Senior Accountant reviews all invoices coded to capital outlay accounts, and all invoices of \$5,000 or more, to identify capital assets and leases or SBITAs. The Assistant Controller reviews the determination.
- 15.C. Capital assets are recorded in the capital asset register (Intacct fixed asset module or a supporting schedule reconciled to Intacct) in the month they are received or placed in service. Each record includes the asset number, description, asset class, serial number, location, custodian, acquisition date, in-service date, cost, funding

source, useful life, depreciation method, and accumulated depreciation, together with, where applicable, warranty information (or a link to it), the most recent condition rating, maintenance and impairment history, and estimated replacement cost.

- 15.D. Capital and controlled assets are tagged with a CalMHSA asset tag within 30 days of receipt, where physically practical.
- 15.E. Supporting documentation (purchase orders, invoices, contracts, and approvals) is retained in accordance with the Records Retention Schedule in the General Policies and, for federally funded assets, applicable federal award record-retention requirements.

Reconciliation and Physical Inventory:

- 16.A. The capital asset register is reconciled to the general ledger at least quarterly, within 30 days of the quarter-end close, consistent with the Account Balance Reconciliations section of the Financial Close, Reporting and Budgeting policy. The reconciliation is prepared by the Senior Accountant and reviewed by the Assistant Controller or Controller, with preparation and review evidenced as required by that policy.
- 16.B. At fiscal year-end, Accounting prepares a capital asset roll-forward schedule (beginning balance, additions, disposals, transfers, and depreciation or amortization by major class) for the annual financial statements and external audit, including the separate disclosures required by GASB 104.
- 16.C. A physical inventory of all capital assets and controlled assets is performed at least once every two years. This frequency meets the two-year requirement of 2 CFR 200.313 and exceeds the three-year requirement of SAM 8652. Employees working remotely certify in writing, at least annually, the assets in their custody by asset tag or serial number. During each physical inventory, the condition of each capital asset is recorded using the condition rating scale established under Section 20.B, consistent with the GFOA recommendation that condition information be updated every one to three years.
- 16.D. The physical inventory is performed or observed by a person who does not have custody of the assets or responsibility for maintaining the asset records. Discrepancies are investigated, and adjustments to the asset records are approved in writing by the Chief Financial Officer.

Impairment:

- 17.A. Capital assets are evaluated for impairment when events or changes in circumstances suggest that service utility has declined significantly and unexpectedly (GASB 42), such as physical damage, technological obsolescence, changes in laws or regulations, a change in the manner or expected duration of use, or a halt in construction or development.
- 17.B. Staff must report known damage, obsolescence, or idle assets to the Assistant Controller. The Controller evaluates and documents whether an impairment has occurred and determines the impairment loss. Insurance recoveries are recorded as required by GASB 42.

Transfers, Disposals and Assets Held for Sale:

- 18.A. No capital or controlled asset may be sold, traded in, donated, transferred, retired, or otherwise disposed of without written approval on an Asset Disposal Form, as follows:

Current Carrying Value or Estimated Fair Value	Required Approval
Controlled assets and capital assets with a current carrying value under \$5,000	Chief Financial Officer
\$5,000 to \$49,999	Chief Financial Officer and Executive Director
\$50,000 or more	Approving Body
Any asset funded in whole or in part by federal or state funds	As above, plus compliance with Section 14 and the award terms

- 18.B. Assets are disposed of by the method most advantageous to CalMHSA, such as sale at fair value through a competitive or public process, trade-in, transfer to another public agency, or recycling. Electronic devices must have all data sanitized in accordance with the Information Technology policy and be recycled through a certified e-waste recycler.
- 18.C. Assets may not be sold or given to CalMHSA employees, Board members, or their family members except through a public process at fair value, consistent with CalMHSA's Conflict of Interest policies and applicable law.
- 18.D. Upon disposal, Accounting removes the asset's cost and accumulated depreciation and records any gain or loss. Proceeds are deposited in accordance with the Accounts Receivable and Cash Receipt policy.
- 18.E. Lost or stolen capital assets are reported to the Chief Financial Officer, and to law enforcement and CalMHSA's insurer as appropriate. Write-off of the asset requires Chief Financial Officer approval.
- 18.F. At each reporting date, the Controller identifies capital assets held for sale (Section 4) and ensures they are disclosed as required by GASB 104. Such assets continue to be reported within their major asset class.

Segregation of Duties:

- 19.A. Consistent with the General Policies, no single individual may control more than one of the following functions for capital assets:
- 19.A.i **Authorization** – approval of purchases and disposals (Program Directors, Chief Financial Officer, Executive Director, Approving Body);
 - 19.A.ii **Custody** – physical control and tagging of assets (IT Analyst and assigned employee custodians);
 - 19.A.iii **Recordkeeping** – maintaining the capital asset register and recording depreciation (Senior Accountant); and
 - 19.A.iv **Reconciliation / Verification** – reconciling the register and performing or observing physical inventories (Assistant Controller, Controller, or other independent staff).

- 19.B. Where staffing does not permit full segregation, compensating controls, such as documented supervisory review by the Chief Financial Officer, must be implemented.
- 19.C. **Exceptions:** Exceptions to this policy must be documented and approved by the Chief Financial Officer. Exceptions that would materially affect financial reporting or conflict with applicable law, GASB standards, federal requirements, or governing documents may not be approved administratively and must be escalated to the Executive Director or the Approving Body, as applicable.

Capital Asset Planning, Maintenance and Replacement:

- 20.A. **Purpose.** Consistent with the GFOA Best Practice, Capital Asset Management, CalMHSA plans and budgets for the maintenance, renewal, and replacement of its capital assets so that those assets continue to support program delivery and replacement needs do not create unplanned budget pressures. Because CalMHSA's capital assets consist primarily of information technology, software, furniture and equipment, leasehold improvements, and right-to-use assets, these practices are applied in a manner proportionate to the size and nature of those assets.
- 20.B. **Condition and Performance Standards.** The Chief Financial Officer, with the IT Analyst and Program Directors, establishes a condition rating scale (for example, good, fair, poor, end of life) and target replacement cycles for each major asset class (for example, laptop and server refresh cycles, software system replacement, and furniture). Standards may be based on manufacturer recommendations, security and vendor-support requirements, funding source requirements, or industry practice.
- 20.C. **Evaluation of Existing Assets.** As part of the annual budget process, Program Directors and the IT Analyst evaluate whether existing capital assets remain the most appropriate means of delivering services, considering the criticality of each asset, the likelihood and consequences of its failure, its ongoing operating and maintenance costs, and alternatives such as leasing or subscription arrangements.
- 20.D. **Multi-Year Capital and Replacement Plan.** As part of the annual budget, the Chief Financial Officer prepares a rolling five-year capital and replacement plan. The plan identifies planned capital acquisitions and replacements, including recurring needs such as technology refresh that may not be individually capitalized; their estimated costs; funding sources, including any restrictions on the use or disposal of assets acquired with restricted funds; the expected impact on the operating budget (for example, maintenance, licensing, and staffing costs); and planned contributions to and uses of the replacement reserve. The first year of the plan is included in the annual budget. Capital acquisitions are financed in a manner that matches benefits and costs, and the term of financing should generally not exceed the estimated useful life of the asset financed.
- 20.E. **Major Capital Projects.** For purposes of CalMHSA project governance, a capital project with an estimated total cost of \$250,000 or more (for example, development of a significant software system or a major leasehold build-out) requires: (i) approval of the project scope, budget, and funding source by the Approving Body before work begins, in addition to any contract approval required by the Procurement policy; (ii) a designated project manager responsible for day-to-

day management of the project; (iii) status reports to the Approving Body at least quarterly comparing actual costs and schedule to the approved budget; and (iv) approval by the Approving Body of any change that increases the approved project budget by more than 10% or materially changes its scope. Within 90 days of completion, open contracts are closed out and costs are transferred from construction / development in progress to the appropriate asset class.

- 20.F. **Capital Asset Renewal and Replacement Reserve.** Consistent with the GFOA Best Practice, Strategies for Establishing Capital Asset Renewal and Replacement Reserve Policies, CalMHSA may establish a capital asset renewal and replacement reserve as a designation of unrestricted net position. Ongoing maintenance, renewal, and replacement needs are generally funded each year through the budget; the reserve may provide additional flexibility for planned or unforeseen replacement needs and would be governed as follows:

- 20.F.i **Purpose and use.** If established, the reserve would be intended for the planned renewal or replacement of capital assets and controlled assets identified in the multi-year plan, and for unforeseen replacement needs (for example, the failure or loss of critical IT equipment or software) that are not covered by insurance. It would not be intended for routine operating or maintenance costs.
- 20.F.ii **Funding sources.** If established, the reserve would generally be funded from unrestricted resources, such as budgeted contributions from administrative funds, proceeds from the sale of capital assets, or one-time revenues. Program funds, member county funds, and grant or contract funds that are restricted to specific purposes would not be transferred to the reserve unless the funding source expressly permits it.
- 20.F.iii **Funding level.** The Chief Financial Officer would recommend, and the Approving Body would approve, a target balance and an annual contribution. The contribution could be based on a percentage of annual depreciation and amortization, or on the replacement costs scheduled in the multi-year plan (for example, setting aside 20% of the replacement cost of a five-year asset each year). If the balance falls below the target, the multi-year plan could include a schedule for replenishing it.
- 20.F.iv **Use criteria and approval.** Uses of the reserve would be prioritized based on criteria such as security and data protection, program and operational readiness, maintenance and support costs, vendor support and parts availability, and technological change. Uses included in the adopted budget would be approved by the Chief Financial Officer; any other use would require the approval of the Approving Body.
- 20.F.v **Review.** If established, the reserve's balance, target, and uses would be reviewed annually with this policy under Section 21, including comparison with similar entities. The Chief Financial Officer would confirm that the reserve is consistent with applicable law, the Joint Powers Agreement, any CalMHSA reserve policy, and funding-source restrictions.

- 20.G. **Reporting.** At least once every three years, the Chief Financial Officer provides the Approving Body with a plain-language report on CalMHSA's capital assets that describes asset condition compared to the established standards, replacement

cycles by asset class, funding sources and any restrictions on use or disposal, year-to-year changes in the net value of capital assets, the status of the replacement reserve, and actual capital and maintenance expenditures compared to budget. This report may be combined with the annual budget or the presentation of the annual financial statements.

Policy Review:

- 21.A. Consistent with the GFOA recommendation for periodic review, the Chief Financial Officer reviews this policy and its capitalization thresholds annually and recommends changes to the Approving Body. Changes to thresholds must be approved by the Approving Body.
- 21.B. The review must consider changes in GASB standards, GASB implementation guidance, GFOA best practices, SAM, and federal requirements (for example, the increase in the federal equipment threshold to \$10,000 effective for federal awards issued on or after October 1, 2024).
- 21.C. Threshold changes are applied prospectively from the beginning of a fiscal year. Assets capitalized under a prior threshold continue to be depreciated or amortized over their remaining useful lives.

Roles and Responsibilities:

- 22.A. **All Employees** – Safeguard CalMHSA assets in their custody and report loss, theft, or damage promptly.
- 22.B. **Approving Body (Board of Directors, Finance Committee, or Executive Committee)** – Approves this policy, capitalization thresholds, acquisitions of real property, major capital projects under Section 20.E, the target level and any unbudgeted use of the replacement reserve under Section 20.F, and disposals of \$50,000 or more.
- 22.C. **Assistant Controller** – Reviews capitalization determinations, including the evaluation of purchases for aggregate significance under Section 7.B; assigns useful lives at acquisition; reviews contracts for leases and SBITAs; reviews reconciliations; receives controlled asset designations and annual certifications under Section 13; works with Program Directors to identify and comply with property provisions in state contracts and grant agreements; and receives reports of damaged, obsolete, or idle assets.
- 22.D. **Chief Financial Officer** – Oversees administration of this policy; approves exceptions, useful-life deviations, donated asset acceptance, inventory adjustments, write-offs, and disposals as listed in Section 18; prepares the multi-year capital and replacement plan and the periodic report on capital assets, and administers the replacement reserve, as described in Section 20.
- 22.E. **Controller** – Reviews capital asset reconciliations and year-end schedules; evaluates impairment, held-for-sale classification, and lease and SBITA measurement; determines and documents control of jointly funded assets without legal title under Section 5.D; assesses materiality for assets significant in the aggregate and, at fiscal year-end, evaluates whether non-capitalized assets are significant in total under Section 7.B; and evaluates annually whether below-threshold leases and SBITAs are material in the aggregate under Section 11.F.

- 22.F. **Executive Director** – Approves disposals between \$5,000 and \$49,999 together with the Chief Financial Officer.
- 22.G. **IT Analyst** – Tags assets, maintains the controlled asset inventory, sanitizes devices before disposal, and assists with physical inventories, including recording asset condition; and prepares and certifies the annual list of controlled IT devices (Section 13).
- 22.H. **Program Directors / Managers** – Identify capital purchases in their programs, monitor property provisions in grants and program agreements, and report idle, damaged, or obsolete assets; designate individuals responsible for controlled assets and certify the annual controlled asset lists (Section 13); participate in the annual evaluation of existing assets under Section 20.C; and report the status and costs of open projects at fiscal year-end.
- 22.I. **Senior Accountant** – Identifies capital additions, maintains the capital asset register, records depreciation and amortization, and prepares reconciliations.