RESOLUTION NO. 6484

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARPINTERIA, CALIFORNIA, ADOPTING THE CITY COUNCIL POLICY TITLED "CAPITAL ASSET POLICY" (POLICY NO. P-2026CC-003-000)

WHEREAS, the adoption of this policy will promote standards and procedures to ensure consistent identification, tracking, and reporting long-term capital assets, operational efficiency, transparency, and compliance with generally accepted accounting principles and governmental accountings standard board; and

WHEREAS, in accordance with the City of Carpinteria Policy on Policies, the proposed policy meets the criteria for a City Council Approved Policy and therefore requires adoption by resolution.

WHEREAS, City staff have reviewed the proposed policy and determined that adoption of the policy will support consistent and transparent administration of City operations.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Carpinteria as follows:

SECTION 1. ADOPTION OF POLICY.
The City Council hereby formally adopts the Council Policy titled "Capital Asset Policy" (Policy No. P-2026CC-003-000, attached as **Exhibit A**.

The City Clerk is hereby directed to mark the above-noted policy as "REPEALED" in the City's official policy index. The City Clerk shall update the City's official policy repository to reflect that the policy has been repealed.

SECTION 2. EFFECTIVE DATE.

This Resolution shall take effect immediately upon its passage and adoption.

PASSED, APPROVED AND ADOPTED on this 22nd day of June, 2026, by the following vote:

AYES: COUNCILMEMBER(S): Clark, Mayer, Nomura, Solorzano, Alarcon

NOES: COUNCILMEMBER(S): None

ABSENT: COUNCILMEMBER(S): None

ABSTAIN: COUNCILMEMBER(S): None

Mayor, City of Carpinteria

ATTEST:

Brian C. Barrett, MMC, CPMC
City Clerk, City of Carpinteria

I hereby certify that the foregoing resolution was adopted at a regular meeting of the City Council of the City of Carpinteria held on June 22, 2026.

Brian C. Barrett, MMC, CPMC
City Clerk, City of Carpinteria

APPROVED AS TO FORM:

for

Jena Shoaf Acos, on behalf of Brownstein
Hyatt Farber Schreck, LLP acting as
City Attorney of the City of Carpinteria

Exhibit A to Resolution No. 6484

Capital Asset Policy

Policy Number: 2026CC-003-000
Resolution Number 6484

CITY OF CARPINTERIA
CITY POLICY

CAPITAL ASSET POLICY

Effective Date*:	June 22, 2026	**Originating Dept:**	Admin. Services Dept
Supersedes:	[Insert Previous Policy Name/Policy Number, or "N/A" if new.		
Next Review Date		☐ City Manager Approved Policy ☐ City Council Approved Policy	

* City Clerk to complete Policy Number and Effective Date

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PURPOSE OF POLICY:

This policy establishes the City of Carpinteria's (City) asset capitalization standards and procedures to ensure consistent identification, tracking, and reporting of long-term capital assets. It supports accurate financial reporting, safeguards public resources, and promotes transparent and accountable stewardship of City-owned assets.

By defining capitalization thresholds, useful life standards, and procedures for recording and disposal, this policy enables reliable financial statements, supports long-term planning and budgeting, and ensures readiness for audit and regulatory review.

The City's capital asset practices align with the requirements of the Governmental Accounting Standards Board (GASB) and follow best practices established by the Government Finance Officers Association (GFOA).

SCOPE:

This policy applies to all City departments and all asset classes, including land, construction in progress, buildings, building improvements, improvements other than buildings, infrastructure, machinery and equipment, intangible assets (such as software), right-to-use lease and subscription assets, and vehicles.

CAPITAL ASSET DEFINITIONS:

Capital assets are major assets that have an initial useful life that extends beyond a single fiscal year. Capital assets may be either intangible (e.g., easements and software) or tangible (e.g., land, construction in progress, buildings, building improvements, improvements other than buildings, machinery and equipment, and infrastructure).

Land – Land is always capitalized as a separate capital asset in its own right. Land includes the investment in real property, including parcels, easements, and right-of-way. The amount capitalized as land should include any land preparation costs that will have an indefinite useful life. Land normally is not depreciated because it has an indefinite useful life.

Intangible Assets – GASB Statement #51 defines intangible assets as assets that are identifiable and possess all of the following characteristics: lack of physical substance, nonfinancial nature (not in monetary form like cash or investment securities), and initial useful life extending beyond a single reporting period. It requires us to record and report intangible assets such as easements, land use rights (i.e., water rights, timber rights, and mineral rights), patents, trademarks, and copyrights. In addition, computer software that is purchased, licensed, or internally generated (including websites), as well as outlays associated with an internally generated modification of computer software. The capitalization threshold for intangible assets will be set at $10,000, with an estimated useful life between 2 and 20 years.

Construction in Progress – Records the costs directly associated with constructing a capital asset. Once the asset is placed in service, all costs are shifted into the appropriate capital asset account. Costs in the construction in progress account are not depreciated until the asset is placed in service.

Buildings – Buildings are an asset class used to account for permanent (non-moveable) structures. The amount reported should include any costs incurred to increase the service utility of a building or to extend its total estimated useful life (improvements or betterments). The amount should also include restoration costs incurred as a result of capital asset impairment.

Improvements other than buildings – These are permanent (non-moveable) improvements to land that have a limited useful life (land improvements). Examples include fences, retaining walls, parking lots, and most landscaping.

Machinery and equipment – Accounts for movable items. Examples include vehicles, heavy equipment, and machinery used in City operations. Some examples include Secondary Roads equipment and vehicles.

Right to use leased asset – A contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

Right to use subscription-based asset – A Subscription-Based Information Technology Arrangement (SBITA), as defined by GASB Statement #96, is a contract that grants the City the right to use another party's IT software, either alone or with tangible assets, for a specified period. This right to use is obtained through an exchange or exchange-like transaction. GASB Statement #96 requires governments to recognize a right-to-use subscription asset and a corresponding subscription liability on their balance sheets for SBITAs.

Infrastructure Assets – Long-lived capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, drainage systems, water and sewer systems, and lighting systems.

Federal or Grant Funded Assets – Assets acquired via federal funding are subject to *Title 2, Code of Federal Regulations (CFR), Section 200.313 — Property Standards*. The current threshold under this policy is $10,000, and inventory is required at least every two years.

POLICY STATEMENT:

Capital asset accounting serves a variety of purposes to the City, some of the more important reasons being:

1. To ensure residents and their elected representatives have adequate assurance that City capital assets are properly controlled and appropriately used.

2. To fulfill the City's fiduciary responsibility to establish internal controls and procedures that protect capital assets from loss, theft, and unauthorized use.

3. To substantiate valuations of capital assets in accordance with Generally Accepted Accounting Principles (GAAP) and Government Accounting Standards Board (GASB), for the purpose of accurate financial reporting and audit compliance.

4. To assign responsibility for the custody and proper use of specific assets to City departments, ensuring clear accountability throughout the asset lifecycle.

5. To establish internal controls and procedures that protect capital assets from loss, theft, unauthorized use, and misappropriation.

6. To assist in the formulation of acquisition, maintenance, and retirement policies through the accumulation of data, including original cost, useful life, condition, and depreciation.

7. To support capital improvement planning and long-term budget forecasting by maintaining accurate records of asset age, condition, and remaining useful life, enabling timely replacement and funding decisions.

8. To ensure compliance with federal and state grant requirements, including asset tracking, reporting, and stewardship obligations under applicable regulations such as 2 CFR Part 200 (Uniform Guidance).

In accordance with Governmental Accounting Standards Board (GASB) Statement 34, governments are required to provide basic financial statements that include both government-wide and fund financial statements. While capital assets are not reported as assets within individual governmental funds, they are reported as part of the governmental activities in the government-wide statements. The City of Carpinteria does not operate any enterprise funds, all references to enterprise funds have been removed from this Capital Asset Policy.

Grantor agencies generally permit the acquisition of non-expendable equipment with project funds, provided the equipment is required to perform the project. The City must identify who owns the equipment, which is addressed in the sponsor's guidelines and/or in the property clause of the agreement. It is the responsibility of the primary department receiving the grant to ascertain the specific requirements of the award before ordering equipment. Capitalization will follow the grantor requirements when present.

PROCEDURES:

Governmental Accounting Standards Board guidance relevant to capital assets

GASB Statement	Title	Summary
Statement No. 33	*Accounting and Financial Reporting for Non-exchange Transactions*	Establishes accounting and reporting standards for non-exchange transactions, including donated capital assets.
Statement No. 34	*Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*	Introduced comprehensive financial reporting requirements, including the reporting of infrastructure assets and related depreciation.
Statement No. 42	*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*	Establishes standards for reporting the impairment of capital assets and related insurance recoveries.
Statement No. 51	*Accounting and Financial Reporting for*	Guides on identifying, accounting for, and reporting intangible assets,

	Intangible Assets	including internally generated intangible assets.
Statement No. 83	*Certain Asset Retirement Obligations (AROs)*	Establishes guidance for recognizing liabilities related to legally enforceable asset retirement obligations (e.g., decommissioning costs for certain capital assets).
Statement No. 87	*Leases*	Establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset.
Statement No. 89	*Accounting for Interest Cost Incurred before the End of a Construction Period*	Eliminates the requirement to capitalize interest costs incurred during the construction of a capital asset. Instead, interest costs should be recognized as an expense in the period incurred.
Statement No. 96	*Subscription-Based Information Technology Arrangements*	Guides the accounting and financial reporting for subscription-based information technology arrangements (SBITA).
Statement No. 104 (effective fiscal year starting July 1, 2025)	*Disclosure of Certain Capital Assets*	Establishes requirements for disclosing certain types of capital assets separately in the notes to financial statements, including lease assets, intangible right-to-use assets, and subscription assets.
Implementation Guide 2021-1	*Bulk Purchases and Aggregation of Capital Assets*	Guides how governments can treat a group of assets as a single capital asset (e.g., bulk purchases of similar assets like laptops, office furniture, or vehicles).

Additional guidance is obtained from *GFOA's Accounting for Capital Assets: A Guide for State & Local Governments, 2nd edition, edited by Michele Mark Levine and Todd Buikema.*

General Valuation Basis

Capital assets should be accounted for at historical cost, or if cost is not practically determinable, an estimated cost at the time of acquisition should be used. The cost of the capital asset should include all ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition, such as freight and transportation charges, site preparation costs, and professional fees. Donated assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value.

Accounting and reporting of capital assets is assigned to the Administrative Services Department. Completeness and accuracy shall be ensured through review of purchase records, internal engineering consulting charges, and listings compiled by staff or appraisal or engineering consultants, and other methods deemed necessary.

Department Heads have primary responsibility for safeguarding capital assets and other inventories under their control. This responsibility includes communicating to the Administrative Services Department any dispositions (transfers, sales, loss, etc.) of capital assets or other inventories controlled or owned by the department. See Municipal Code Chapter 3.32 for more detail on disposals.

The decision as to whether an expenditure should be capitalized should begin with an evaluation of engineering, physical change, or other relevant factors apart from cost.

For projects having elements of both maintenance and betterment, the relative cost of each should be determined, and the entire project treated according to the predominant component. Separate treatment may be required, at the discretion of the Administrative Services Department, for projects having individually significant maintenance and betterment components.

Maintenance costs are to be expensed rather than capitalized. Trade-in value, if any, will be deducted from the asset cost. Additionally, if the asset traded was not fully depreciated, the ending book value will be added to the cash paid to determine the capitalized cost of the new asset. A trade-in can be defined as exchanging an existing asset as part of an agreement to acquire a new asset.

Capitalization Threshold

Capitalization thresholds for capitalizing assets have been established for each major class of assets with a useful life of greater than five years.

The capitalization threshold is applied to individual units of capital assets. For example, a purchase of 50 monitors at $200 each will total $10,000, which should not be capitalized, although the total purchase is over the threshold of $10,000. This type of asset purchase will be categorized as inventory for information purposes only, and costs are expensed as incurred. Bulk purchases of items are capitalized if the total purchase cost is substantial. For the City of Carpinteria, a substantial bulk purchase is set to align with the City Council approval limit of over $50,000 or more.

Major Classification	Threshold	Useful Life
Land	Capitalize All	Indefinite
Construction in Progress	Capitalize All	Until placed in service
Buildings	Capitalize All	15 - 40 yrs
Building Improvements	$100,000	15 - 40 yrs
Improvements Other Than Buildings	$10,000	10 - 40 yrs

Machinery & Equipment	$10,000	2 – 10 yrs
Software (excluding SBITA)	$50,000	2 – 10 yrs
Infrastructure (except for the maintained streets pavement subsystem)*	$100,000	20 – 65 yrs
Vehicle	Capitalize All	5 – 10 yrs
Lease and subscription assets	$10,000	Shorter of the term of the agreement or the life of the asset

* The City has networks of infrastructure assets such as roads, bridges, traffic signals, and drainage systems. The street pavement subsystem of the road network is reported using the modified approach; accordingly, depreciation is not reported for this subsystem, and all costs, except for betterments and major improvements made to the subsystem, are expensed rather than capitalized.

Asset Replacement

As the City begins to see the effects of aging infrastructure, assets are now being replaced. The challenge lies in the removal of the original asset from the inventory, since there is no way in many cases to identify that asset as a single unique record in the inventory. The following methodology may be used to record the removal of replaced assets:

- Enter the new asset using procedures for adding new assets.
- Estimate the year in which the asset was originally constructed (if not known).
- Using the original cost of an asset in that year and the quantity of the replacement asset, determine the estimated original cost.
- Enter a new asset to offset the portion of the asset being replaced by using a negative quantity and value (including accumulated depreciation) and identify this asset as taken out of service. This will provide a net total inventory valuation that reflects the subtraction of the value of the removed asset and the additional value of the new asset.

Acceptance of Public Improvements

Infrastructure assets are donated to the City at the time of acceptance of a developer's construction project. The City's inspection department completes the Infrastructure Asset Data Entry Form (Appendix A) with the required data and forwards the form to the Administrative Services Department to enter into the City's financial information system.

Costs after Acquisition

Major expenditures that increase future benefits from an existing capital asset beyond its previously assessed standard of performance shall be capitalized. After a capital asset has been placed into service, subsequent expenditures are capitalized if they meet the asset's class threshold and:

1. Extend the estimated life or increase the value or capacity of the asset as per established thresholds defined in this policy, or
2. Increase the future service potential (capacity or efficiency) of the asset

The capital asset threshold is currently $10,000. Items costing between $1,000 and less than $10,000 may be added to the financial system for tracking purposes; these would have a zero value for reporting purposes. Items costing less than $1,000 (such as electronic equipment, cameras, and other small yet attractive items) are tracked by departments on a Minor Asset / Inventory Tracking Log (Asset Form B). If an asset, such as a building, is treated as one single asset containing several individual components with significantly shorter useful lives, such as an HVAC, the component being replaced is treated as an integral part of the larger capital asset, and subsequent replacements of components are treated as repairs.

Inventory Process

While GASB does not set a specific interval for physical inventories, it is considered best practice for governments to conduct them periodically. The exact frequency should be determined based on the entity's specific circumstances and asset management policies. In accordance with GFOA best practice, an inventory is performed at least every five years. As departments are responsible for maintaining inventory listings, the inventory process may be performed by selecting various departments for testing over the course of five years. The City of Carpinteria will request an inventory update on an annual basis. The departments are sent a listing of assets from the financial system, and are instructed to verify that each asset is still in existence.

Assets acquired after the report date are added to the listing by the department during their physical observations. Once the physical inventory is completed, the Administrative Services Department reviews the listing and makes appropriate adjustments as needed.

Depreciation Method for Capital Assets

Depreciation is the process of allocating the cost of depreciable capital assets over a period of time, rather than recording the entire cost as an expense in the year of acquisition. This process recognizes an asset's periodic cost of use and declining usefulness over time. Land, certain land improvements, and certain works of art and historical treasures are inexhaustible and are therefore not depreciated.

As a matter of policy, the City has elected to adopt the straight-line method of depreciation.

Unless clear evidence indicates that the expected consumption of an asset will be significantly greater in the early portions than in the later portions of its useful life, the straight-line method of depreciation is applied as follows:

Asset Cost Estimated ÷ Useful Life in Years = Annual Depreciation Expense

Useful life should approximate the time an asset will provide service to the city. Capital assets that become fully depreciated and are still in use must remain in the financial capital accounts and be identified within the capital asset system until they are disposed.

Disposal of Assets

Capital assets that are no longer needed for public use, have reached the end of their useful life, become obsolete, or are otherwise determined to be surplus shall be disposed of in accordance with Chapter 3.32 of the Carpinteria Municipal Code. Department Directors shall identify and report surplus personal property to the City Manager or designee for evaluation and disposition. Pursuant to Chapter 3.32, the City Manager is authorized to transfer, sell, trade, recycle, or otherwise dispose of surplus personal property, provided that assets with an estimated value greater than $100,000 shall be disposed of as directed by resolution of the City Council. The Administrative Services Department shall record the retirement of disposed assets in the City's financial records and maintain disposal records in accordance with Municipal Code requirements and applicable records retention policies.

Donating City General Surplus

Donations of General Surplus property to local non-profits shall be at the sole discretion of the City Manager, considering the thresholds listed and exceptions as stated in the Carpinteria Municipal Code Chapter 3.32.

Financial Reporting

The total value of assets is reported in the Annual Comprehensive Financial Report (ACFR) as prepared by the Administrative Services Department. The value of assets, reported by function, shall include the beginning value, a summary of additions, a summary of decreases, a summary of transfers, and an ending value for the fiscal year being reported.

RESPONSIBILITIES:

Each department is responsible for coding invoices correctly, completing the correct Asset Form for applicable purchases, and submitting all required documentation to the Administrative Services Department for asset tracking, inventory management, and financial reporting purposes.

- Department Director
- Supervisors / Managers
- Employees / Other parties

RELATED FORMS, ATTACHMENTS & INFORMATION:

The following forms support the implementation of this policy and are included as attachments:

Asset Form A: New Asset Information Form
Asset From B: Minor Asset / Inventory Tracking Log
Asset Form C: Asset Transfer / Retirement Form

CONTACT / DEPARTMENT RESPONSIBLE

Administrative Services Department

APPROVAL

City Manager _____ Date _____

(For City Manager-approved policies)

OR

City Council Approval
Resolution No. _____
Adopted: _____

(Delete the City Manager signature line when policy is Council-approved.)

Attachment 1

ASSET FORM A: NEW ASSET INFORMATION FORM

NEW ASSET INFORMATION FORM

ASSET DESCRIPTION: _____

_____

_____

_____

DEPARTMENT: Choose your department

If Public Works: Choose an item. _____

QUANTITY: 1 **Estimated Fair Market Value (Total Costs)**: _____

Original Funding Sources: Other, enter fund number.

_____

Account coded to: _____

Prepared By (Name and Date):

_____

Attachment 2

ASSET FORM B: MINOR ASSET / INVENTORY TRACKING LOG

CITY OF CARPINTERIA
MINOR ASSET / INVENTORY TRACKING LOG

Inventory of minor assets includes (but not limited to): Desk, computer, monitors, calculator, tables, chairs, camera, TV, radio, City cell phone, , etc.
Additional assets can be tracked – this is dependent on the department's asset needs.

DEPARTMENT:						
Date In	Date Out	Employee	Items	Make/Model No.	Serial No.	Comments

Manager Name: _____

Inventory performed by: _____

Date of Inventory: _____

Attachment 3

ASSET FORM C: ASSET TRANSFER / RETIREMENT FORM

CITY OF CARPINTERIA

ASSET TRANSFER / RETIREMENT FORM

Department: _____

Asset Description: _____

Asset Transfer or Retirement Date: _____

Asset transferred from / to: _____

Method of retirement/sold. _____

If sold, enter amount received: _____

Reason(s) for disposal/Comments/Notes: _____

_____

_____

_____

DEPARTMENT:

Asset ID	Items	Make/Model No.	Serial No.

Manager: _____

Employee Name: _____