	Capital Assets Policy and Procedures	
	Responsible Party: Finance Director	**Effective Date:** TBD
	Approval Authority: City Council	**Next Review Date:** TBD

I. PURPOSE OF POLICY

The purpose of this Policy is to provide for consistency in the City's capital asset management practices and to define the related roles and responsibilities of the City Council, City Manager, and other members of City staff.

II. POLICY STATEMENT

It is the policy of the City to account for, safeguard, and report all capital assets in accordance with applicable laws, regulations, and industry best practices. Capital assets will be managed to ensure compliance with Council-approved thresholds, Federal Uniform Guidance, and best practices. A comprehensive review of and updates to this Policy will occur annually.

A. Authority and Responsibilities

1. **City Council** – The City Council serves as the approval authority for this Policy and any subsequent amendments, including the City's capitalization threshold. The Council is responsible for authorizing the acquisition and disposal of capital assets when required by City policy or applicable law.

2. **City Manager** – The City Manager, or their designee, implements capital asset policy. To support operational needs, the City Manager may make administrative adjustments to this Policy, provided such changes do not alter capitalization thresholds, which remain solely within the discretion of the City Council.

3. **Finance Director** – The Finance Director, or their designee, is responsible for overseeing the administration of this Policy. The Finance Director is authorized to implement and maintain additional procedures necessary to fulfill the requirements of this Policy and to ensure accurate, timely, and transparent reporting of all capital asset activities.

4. **Finance Department** – The Finance Department maintains accurate and complete records of all capital assets, including acquisitions, disposals, transfers, and depreciation. The Department coordinates with other City departments to ensure assets are properly tagged, recorded, and tracked, as well as prepares a year-end reconciliation of capital assets. The Department also prepares any required schedules or information for use in the City's Annual Comprehensive Financial Report (ACFR). For non-movable assets (e.g., infrastructure) that are not practical to tag physically, the Finance Department records these assets along with

appropriate supporting documentation (e.g., maps, GIS records) provided by the responsible City department.

5. **City Departments** – Each City department is responsible for the day-to-day management of capital assets under its control. City departments initiate requests for the acquisition, transfer, or disposal of capital assets. City departments are responsible for tagging and maintaining records for moveable assets assigned to them and must promptly notify the Finance Department of any changes in asset status, including acquisition, transfer, disposal, loss, or impairment. City departments may participate in the inventory and verification process for capital assets as requested by the Finance Department.

   a. The Information Technology (IT) Department tags equipment that qualifies as an attractive IT-related item (e.g., laptops, computers). Intangible IT-related items such as subscription assets and right-to-use software are not tagged, but are recorded in the subscription asset management module.

   b. The Fleet Department tags vehicles and equipment.

III. DETAILED POLICY REQUIREMENTS

A. Asset Categories and Equipment

The City's capital assets include, but are not limited to, the following categories:

Asset Type	Useful Life
Buildings and Improvements	30 Years
Land	Not depreciated; capitalized regardless of cost
Right-to-Use Buildings	3 Years
Machinery and Equipment	5-15 Years
Right-to-Use Equipment	3-5 Years
Right-to-Use Software[1]	2-7 Years
Storm Drain	50 Years
Streets	30 Years
Parks	15-30 Years
Subscription Assets[1]	2-6 Years
Sewer Lines and Improvements	50 Years
Water Wells and Lines	50 Years
Sewer Plant Expansion	10-20 Years
Vehicles and Equipment	5-15 Years
Water Rights	25 Years

[1]The useful life for right-to-use and subscription-based information technology arrangement (SBITA) assets is determined based on the useful life of the underlying asset.

The specific useful life assigned to each asset is based on industry standards and consistent with recommendations from the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA). Departments may recommend adjustments to useful lives to the Finance Department based on operational experience. Land and certain intangible assets are considered inexhaustible and are not subject to depreciation.

1. **Construction in Progress** – Construction in progress represents costs for capital projects not yet completed or placed into service; these assets are not depreciated and do not have a useful life assigned until reclassification to an asset type in the above table. Capital projects are placed into service after the notice of completion has been accepted by the City Council and/or the City department has determined the project is complete.

2. **Easements** – The City uses the County's Property Appraiser's website to obtain the property value of the land. To be capitalized, each easement value must be greater than or equal to the City's capitalization threshold and not be term limited.

While not meeting the capitalization threshold to qualify as a capital asset on a per-unit basis, there is certain other equipment that is collectively defined as attractive items that are tracked and inventoried by the City to ensure adequate control and accountability and subject to the same surplus and disposal procedures. Departments are encouraged to identify equipment purchases that frequently fall below the threshold and discuss with the Finance Department whether the equipment may be considered attractive items for tracking and control purposes. This equipment includes, but is not limited to, the following:

- Laptops
- Printers
- Scanners
- Desktop Computers
- iPad/Tablets
- TVs/Smart Boards
- Radio Equipment

B. **Capitalization** – The City capitalizes all assets with a unit cost of $25,000 or more. Assets purchased with Federal grant funds are capitalized at the more restrictive threshold of $10,000 in accordance with Uniform Guidance. Improvements to existing assets are capitalized when the cost exceeds the established threshold and the improvement extended the useful life or increases the value or capacity of the asset.

C. **Asset Purchase** – The City will provide equivalent insurance coverage for property and equipment acquired or improved. When purchasing assets, City staff are responsible for obtaining insurance.

D. **Grant-Funded Asset Approval and Purchase** – When required, purchases of capital assets and real property using Federal funds will be pre-approved by the granting agency or pass-through agency. The Finance Director, or their designee, will be responsible for ensuring that capital asset and real property purchases have been previously approved, if required, and will retain evidence of such approval. All capital asset purchases shall follow the City's Purchasing Policy.

E. **Real Property Acquisition and Valuation** –Prior to any purchase of real, appraisals must be conducted by an independent appraiser and certified by an appropriate City staff member.

F. **Asset Recording and Capitalized Costs** – Purchases are recorded at cost plus any amounts required to place assets in service, such as direct costs, labor, materials, ancillary expenses, and construction period interest per GASB requirements. Routine repair and maintenance costs are expensed as they are incurred and are not capitalized. Donations are recorded at estimated market value. Developer-contributed assets are recorded at the value based on the engineer's report. For SBITA and software-related intangible assets, capitalized costs include payroll for development, configuration, interface coding, and testing. Preliminary and post-implementation project expenses are not capitalized. Costs related to warranty or maintenance agreements which can be separately identified and staff training on the usage or maintenance of the asset are not included in the acquisition cost or capitalized.

For trade-in assets, the original acquisition cost is determined by including the trade in value and ancillary charges to place the asset into service, or using estimated historical cost if actual cost is not available. If neither method is available, the acquisition value shall be at the date of donation, which is defined as the price that would be paid to acquire an asset with equivalent service potential.

All capitalized assets will be recorded in the City's asset management module and reconciled to the asset register.

G. **Depreciation and Amortization** – Depreciation is calculated using the straight-line method for all depreciable capital assets. Additions are recorded as of June 30th each fiscal year. No depreciation is recognized in the fiscal year the asset is acquired and placed into service. The first year of depreciation is recorded on June 30th of the following fiscal year. Useful lives are consistent with Section III-A.

Right-to-use lease assets and subscription assets are subject to amortization rather than depreciation over the shorter of the lease term of the useful life of the underlying asset. For right-to-use lease assets, the initial measurement includes the present value of expected lease payments, plus any payments made at or before commencement and initial direct costs. For subscription assets, the initial measurement includes the present value of expected subscription payments, payments made at or before commencement, and capitalizable implementation costs, minus any vendor incentives. Consistent with land, easements are not depreciated unless term-limited.

H. **Asset Records and Inventory** – Comprehensive records are maintained for each capital asset, including descriptive information and asset number, location, acquisition date, cost, funding source, Federal participation percentage (when applicable), condition, use, depreciation method and useful life, and disposition data. For assets purchased with Federal funds, records must also include the name of the entity holding title, property classification, make/model/serial number, vendor and invoice number, and, upon disposition, the date and sale price.

Equipment should be assigned to a program and physical location and recorded within the City's inventory system. If such equipment is moved, it will be noted and adjusted in the City's records. City Departments are responsible for notifying the Finance Department when an asset is moved. The Finance Department is responsible for maintaining accurate inventory records and conducting a physical inventory periodically of all capital assets, with results reconciled to the City's asset records. For Federally funded assets, Uniform Guidance requires this inventory and reconciliation, and any loss, damage, or theft must be investigated and documented. The City will maintain a control system to safeguard all assets that enables compliance with Federal requirements.

I. Internal Controls and Missing Property – The City is committed to maintaining strong internal controls over the acquisition, management, use, and disposal of capital assets, including those acquired with Federal funds. All asset transactions must be properly documented, authorized, and recorded in the City's asset management module. All capital assets and real property acquired with Federal funds will be used in the program for which they were acquired or, when appropriate and allowable, other Federal programs. Responsibilities for asset custody, recordkeeping, and reporting are clearly assigned to ensure accountability and segregation of duties. Access to asset records and the authority to approve asset transactions are restricted to designated employees. All supporting documentation related to asset transactions will be retained in accordance with City policy and applicable legal requirements, including Federal grant requirements. The Finance Director is responsible for monitoring compliance with internal control procedures, providing staff training as needed, and ensuring that any identified control deficiencies are promptly addressed and remediated.

Asset Disposal and Surplus Property – Capital assets and supplies will be disposed of in compliance with this Policy, the City's Purchasing Policy, and any grant program's requirements and/or specific instructions provided by a granting agency when the asset was acquired with Federal funds. All disposals must be approved in accordance with the City's established signature authority levels, including escalation to the City Manager when estimated item value exceeds department director authority. The City determines the value of assets at the time of disposal using reasonable and supportable methods appropriate to the asset type and value, including recent sales of similar items, competitive bidding or auction results, vendor quotes, or independent appraisal when necessary. Competitive sale results are considered evidence of fair market value. Supporting documentation for the determination of value will be retained.

Disposal requirements vary based on whether an asset is capitalized, and when applicable, whether the asset was acquired with Federal funds. Disposition processes will be used to provide competition to the extent practicable and result in the highest possible return. Departments are required to complete a Disposal and Surplus Form for all asset disposals. Forms must be submitted and approved prior to disposal and may be submitted throughout the year, but at a minimum on a semi-annual basis.

The Finance Department distributes a list of capital assets to City departments at least annually for review and reconciliation. Departments are responsible for confirming asset status and notifying the Finance Department of approved disposals, including the method of disposal (scrapped, donated, or sold). This process serves as a control to ensure all disposals are properly recorded. Proceeds from asset sales are credited to the original fund that financed the asset.

1. **Surplus Equipment and Vehicles** – City departments, in coordination with the Finance Department, determine when equipment and capital assets defined in Section III-A (e.g., computers, vehicles, office and field equipment) are surplus and recommend the appropriate disposal method in the City's best interest, subject to approval in accordance with established signature authority levels. All disposals must be managed through the Fleet Department, which is responsible for coordinating disposition through the City's approved auction platform (e.g., Public Surplus or equivalent) or other approved alternative methods, including competitive sale return to lessor, trade-in, recycling, or, disposal as scrap (for component value) or as non-recoverable waste (e.g., landfill) when no functional or resale value exists.

   Disposal methods will be based on the equipment's type, value, condition, and applicable laws. City employees may not bid on surplus equipment.

   a. For items that have been capitalized, disposal must be conducted in accordance with the following procedures.

      - Surplus Equipment: Disposal requires using an approved, competitive method identified above and approved with the City's established signature authority levels.
      - Federally Funded Surplus Equipment: Disposal requires competitive bidding or other methods as specified by the granting agency, with approval by the authorized signature authority. Disposal requirements specifically outlined for the related grant program should be followed or the granting agency should be consulted for disposition instructions.

   b. For items that have not been capitalized, disposal is conducted in accordance with the following procedures.

      - Surplus Equipment: Items with an estimated value of $500 or less may be disposed of at the discretion of the authorized signature authority. Items with an estimated value exceeding $500 must be disposed of using a approved method identified above.
      - Federally Funded Surplus Equipment: Equipment (includes computing devices, which may be considered supplies under Uniform Guidance if their cost is below the applicable capitalization threshold – see next section) may generally be eligible to be retained by the City and/or disposed of with no further obligation to the City at the discretion of the authorized signature authority. Disposal requirements specifically

outlined for the related grant program should be followed or the granting agency should be consulted for disposition instructions.

2. **Grant-Funded Surplus Unused Supplies** – The City will keep, sell, or otherwise dispose of unused supplies, which are defined as all tangible personal property other than equipment, with no further obligation unless the aggregate fair market value of all unused supplies purchased from a grant exceeds the Federal capitalization threshold. When the fair market value exceeds the threshold, disposal requirements specifically outlined for the related grant program should be followed or the granting agency should be consulted for disposition instructions. A computing device is a supply if the acquisition cost is below the City's capitalization threshold or the Federal capitalization threshold, whichever is less, and regardless of useful life.

3. **Real Property** – Any sale, transfer, or other disposition of City-owned real property, including facilities or real estate, must be approved by the City Council and comply with all applicable legal requirements. Real property purchased with Federal funds and no longer needed for the authorized purpose of the grant program will be disposed of in compliance with the grant program's requirements and any specific instructions provided by the granting agency. Generally, these instructions will allow for one or more of the following methods of disposal: retaining title after compensating the Federal agency, selling the property and compensating the Federal agency, or transferring title to the Federal agency or a third party designated or approved by the Federal agency. All such disposals will be documented in accordance with Federal recordkeeping requirements.

IV. CAPITAL ASSET MANAGEMENT PROCEDURES

This procedure provides step-by-step guidance for City staff responsible for acquiring, capitalizing, tracking, and disposing of capital assets.

A. Prior to Acquisition

1. **Verify Budget**
   - Confirm asset is in approved City budget.
   - If not, initiate budget amendment or transfer per Budget Policy.

2. **Obtain Granting Agency Approval**
   - If using Federal funds, secure required approval from granting agency and will need to be included with documentation.

3. **Appraise Real Property**
   - Hire independent appraiser for all real property purchases.
   - City Manager must certify the appraisal.

4. **Initiate Purchase**
   - Complete purchase requisition form. Attach certified appraisal if purchasing real property. Include any other necessary documentation.

- Submit to Finance Department per Purchasing Policy.

B. At Acquisition

1. Receive and Inspect Asset
- Inspect asset upon delivery for condition and completeness.

2. Tag and Assign Asset
- Tag asset immediately after inspection, if tangible asset or equipment.
- Assign to program and physical location.

3. Enter Asset Record
- Record asset in asset management module with all required information.

4. Obtain Insurance
- Acquire insurance through the Risk Management Division for assets purchased.
- Ensure coverage matches other City property.

C. At Fiscal Year-End

1. Review for Capitalization
- Finance reviews acquisitions for capitalization eligibility.
- Record capital project costs as construction in progress until complete.
- Transfer asset to category when placed into service.
- Finance and Public Works meet quarterly to review project status.

2. Capitalize Assets
- Assign useful life.
- Record asset in capital register as of June 30.
- Transfer in-process assets to appropriate category.
- Do not record depreciation in year of acquisition.

3. Record Depreciation
- Calculate and record annual depreciation/amortization for capitalized assets.

4. Review Assets and Attractive Items
- Finance Department reviews asset register for assets appearing obsolete or inactive.
- Distribute asset list to departments for status confirmation.

5. Department Review
- Departments review asset listings and submit Disposal and Surplus Forms for any disposals or transfers identified throughout the year, and at least semi-annually.

- Departments review the asset list and confirm the completeness of disposals and asset status.

6. **Update Register**
   - Finance updates asset register with department changes.
   - Retain fully depreciated assets still in use.
   - Finance runs report and reconciles to the general ledger.

7. **Credit Proceeds**
   - For any confirmed disposals, credit proceeds from sales to original fund.

8. **Update Disposal Records**
   - Record gain/loss on disposal.
   - Remove cost and accumulated depreciation.
   - Retain disposal records.

9. **Prepare Audit Schedules**
   - Prepare capital asset schedules for annual financial statements (e.g., additions, deletions, accumulated depreciation).

D. Ongoing

1. **Maintain Inventory**
   - Departments need to report changes to Finance, and Finance Department maintains asset records in asset management module.
   - Finance updates asset register at year-end.

2. **Conduct Physical Inventory**
   - Finance performs periodic physical inventory.

3. **Report Missing Property**
   - Conduct search for missing assets.
   - Notify department director assigned the asset and Finance Director.
   - Complete and sign a memo describing the loss.
   - Retain memo in audit file.

4. **Record Asset Transfers**
   - Departments record transfers in asset management module.
   - Finance updates asset register with year-end transfer details.

5. **Retain Records**
   - Retain all asset documentation per Records Retention Schedule and Grant Management Policy.

E. Asset Disposal

1. **Request Disposal**
    - Departments complete Disposal and Surplus Form.
    - Obtain authorization per signature authority levels.
    - Coordinate disposal with the Fleet Department.
    - For Federally funded assets, consult granting agency if threshold exceeded.
    - For Federally funded assets, document pre-approval disposal method from granting agency.

2. **Dispose of Asset**
    - Coordinate disposal based on asset type and thresholds. When using competitive bidding, refer to Purchasing Policy. When using auctions, refer to next section on auctions.

    a. Equipment and Federal Grant-Funded Unused Supplies:

    - If equipment was capitalized, use any of the following disposal options: competitive bidding, public auction, trade-in, or return to lessor. Auctions may be conducted by the City or a contracted auctioneer/service and must be publicly advertised and open to the public.
    - For Federally funded assets, if equipment was capitalized, disposal may only be completed using competitive bidding unless grantor instructions provide alternate disposal procedures.
    - If the equipment or unused supplies was not capitalized and $500 or less, disposal is at the authorized signature authority's discretion. Items of more than $500 require use of an approved method identified in this Policy.
    - If the unused Federally funded supplies were not capitalized, follow grantor instructions for disposition or return of proceeds. If there are no instructions in the grant agreement, consult with granting agency.

    b. Real Property:

    - City department obtains an independent appraisal.
    - For Federally funded real property, follow grant instructions – this could mean compensating the agency, remitting proceeds, or transferring title. Use a competitive process unless otherwise directed.
    - For real property not Federally funded, use competitive sale or other City method.

3. **Conduct Auctions**
    - All auctions are coordinated through the Fleet Department.
    - The Fleet Department manages asset disposition through the City's approved online auction platform.
    - Assets are listed with appropriate descriptions, condition details, and photos.

- Auctions are publicly accessible through the platform and conducted in accordance with the platform’s standard bidding procedures.
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- The Fleet Department monitors auction activity and finalizes sale results.
- Highest qualified bid is awarded the item. The City department may reject bids that do not meet requirements. The decision is final.
- If no bids are received, item remains City property and the Fleet Department determines the next disposal method, including donating to public agencies or nonprofits if the item has no salvage value.

4. **Document Disposal**
   - Retain records of sale price, purchaser, and method.
   - Record in asset management module.
   - Finance updates asset register at year-end.

F. Attachment(s)

1. Disposal and Surplus Form

CITY OF MANTECA
DISPOSAL & SURPLUS PROPERTY FORM

To comply with the Capital Assets Policy and Procedures, this form must be completed and approved prior to the disposal of any capital or non-capital asset. All disposals must be coordinated through the Fleet Department.

Department: ____________________ **Date Submitted:** ____________________

Department Contact: ____________________ **Phone:** ____________________

1. ASSET INFORMATION

Asset Description:	**Asset Tag Number:**	
Make / Model:	**Serial Number / VIN:**	
Location (Department / Site):		
Date Acquired:	**Original Cost:** $	**Estimated Current Value:** $
Asset Type (e.g., Vehicle, Equipment, IT, Furniture):		

2. FUNDING INFORMATION

Funding Source: ☐ General Fund ☐ Enterprise Fund ☐ Restricted / Grant Fund ☐ Other: ____________

If Grant Funded (Federal): ☐ Yes ☐ No **If Yes, Federal Grant Name / Number:** ____________________

If the asset was purchased with Federal grant funds, disposal must comply with Federal Uniform Guidance requirements.

3. REASON FOR DISPOSAL

☐ Obsolete ☐ Beyond Economical Repair ☐ Excess / No Longer Needed ☐ Lost / Stolen ☐ Damaged ☐ Other: ____________

Please provide a brief explanation:

4. RECOMMENDED DISPOSAL METHOD

- ☐ Trade-In
- ☐ Sale / Auction
- ☐ Donation (Nonprofit / Public Agency)
- ☐ Scrap / Recycling
- ☐ Other: ____________________

If Sale or Auction, Estimated Proceeds: $ ____________

5. CERTIFICATION

I certify that the above asset is no longer needed for City use and that the information provided is true and complete to the best of my knowledge. I understand that disposal must be approved in accordance with the City's Capital Assets Policy and Procedures.

Department Representative Name (Print): ____________________

Signature: ____________________ **Date:** ____________

6. APPROVALS (REQUIRED PRIOR TO DISPOSAL)

Department Director Approval	Fleet Department Review	Finance Department Approval
I approve the disposal of the asset as described above.	I have reviewed the asset and recommend approval of the disposal method.	I approve the disposal of the asset and authorize the removal from the City's asset records.
Name (Print): ____________	Name (Print): ____________	Name (Print): ____________
Signature: ____________	Signature: ____________	Signature: ____________
Date: ____________	Date: ____________	Date: ____________

7. FINANCE DEPARTMENT USE ONLY

Date Disposed:	Disposition Method:	Approval Authority: ☐ Finance Director ☐ City Council
Asset ID Removed: ☐ Yes ☐ No	GL Asset Account:	Accumulated Depreciation: $
Net Book Value at Disposal: $	Proceeds Received: $	Gain / (Loss) on Disposal: $
Auction / Sale Reference #:	Notes:	