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Policies and Procedures No. 15

SUBJECT: Board Approval: 2/12/04

CAPITAL ASSET CAPITALIZATION

PURPOSE:

To establish guidelines and procedures for the capitalization of MTS capital assets.

BACKGROUND:

On December 13, 2001, the MTS Board of Directors approved Policies and Procedures No. 7 (Policy No. 7), "Procurement of Supplies, Equipment, and Materials." The policy established procedures for acquiring supplies, equipment, and materials. It is required that the purchase of capital assets will be in accordance with Policy No. 7. Additionally, governmental entities are required to report all capital assets in the statement of net assets based on their historical cost less accumulated depreciation. Capital assets include such items as: (1) land and land improvements; (2) building and building improvements; (3) vehicles; (4) infrastructure assets; (5) equipment; and other similar assets. These guidelines and procedures would allow a cost-effective capitalization threshold for recording, tracking, and reporting its capitalized fixed and infrastructure assets. In accordance with federal guidelines, capital assets means tangible nonexpendable property charged directly to a federal award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

PROCEDURES:

- 15.1 Methods. Capital assets having an acquisition cost of \$5,000 or more per unit and a useful life of more than one year will be capitalized. MTS will report using a depreciation expense approach using the straight-line method over the assets useful life.
- 15.2 Useful Lives. The following major categories of capital assets including the useful life are noted below:

<u>Item</u>	<u>Estimated Life</u>
a. Buildings and Structures	32 years
b. Automobiles	5 years



c. Other Vehicles (Vans/Trucks)	5 years
d. Special Purpose Maintenance Vehicles	10 years
e. Light Rail Vehicles (LRVs)	30 years
f. Buses	15 years
g. Communications Equipment	5 years
h. Station and Parking Lot Structure/Facilities	15-30 years
i. Station Equipment, i.e., including change machines	10 years
j. Station Fare Equipment, including change machines	10-15 years
k. Bus Fare Equipment	10 years
l. LRV and Bus Maintenance Equipment	5-20 years
m. Centre City Station Shelters	20 years
n. Track Facilities	15-30 years
o. Crossings and Signal Equipment	10-20 years
p. Traction Power Facilities	20-30 years
q. General Office Equipment	5-15 years
r. Computers Software/Hardware	3-5 years

- 15.3 Federal Grant-Funded Assets. Capital assets that have been purchased with federal capital grant funds must have records maintained, a physical inventory shall be taken at least once every two years and reconciled to the capital asset records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.
- 15.4 Tags. Capital assets having an acquisition cost of \$5,000 or more per unit and a useful life of more than one year shall be tagged with a permanent sticker including a number and identification as an MTS asset.
- 15.5 Other Items. Other items that do not meet the capitalization criteria but are susceptible to misappropriation, such as computers, shall have records maintained, be safeguarded, and tagged with a permanent sticker including a number and identification as an MTS asset.

DDarro/JGarde
POLICY.15.CAPITAL ASSET CAPITALIZATION
7/12/06

Original Policy approved on 7/8/81.
Policy revised on 5/24/82.
Policy revised on 9/20/84.
Policy revised on 12/12/91.
Policy revised on 6/9/94.
Policy repealed and readopted on 10/31/02.
Policy revised/renumbered on 2/12/04.