



**Meeting Date:** March 26, 2025

**Agenda Item:** D.2

## **AGENDA SUMMARY REPORT**

**SUBJECT:**

MTA 2024-2025 Capitalization Policy & Thresholds

**SUMMARY:**

To establish Capitalization Policies & Thresholds for Fixed Assets, Leases & Subscriptions.

For some time now MTA has had a Capitalization Threshold of \$1,000.00 for Fixed Assets.

It has been recommended by our auditors that we increase this threshold for capital assets to \$10,000.00. Also, the federal OMB Uniform Guidance for grants and agreements was updated for 2024, and now recommends the following threshold change:

2 CFR Part 200 – Uniform Guidance

**Section 200.313 – Equipment**

Increased capitalization threshold from \$5,000 to \$10,000 minimum for Federally funded equipment.

Our auditors also recommend a \$75,000 capitalization threshold for Leases (GASB 87) and IT subscription arrangements (GASB 96).

**STAFF RECOMMENDATION:**

Approve the MTA FY 2024-2025 Capitalization Policy & Thresholds

**ATTACHMENTS:**

MTA 2024-2025 Capitalization Policy & Thresholds

RESOLUTION 2025-03

# Mendocino Transit Authority

## FY2024-2025 Capitalization Policy

### 1. Purpose

This accounting policy establishes the minimum cost (capitalization amount) that shall be used to determine the capital assets that are to be recorded in Mendocino Transit Authority's annual financial statements.

### 2. Capital Asset definition

A "Capital Asset" is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months; and (2) was acquired or produced for a cost of \$10,000.00 or more. Capital Assets must be capitalized and depreciated for financial statement purposes.

### 3. Capitalization thresholds

MENDOCINO Transit Authority establishes \$10,000.00 as the threshold amount for Fixed Asset minimum capitalization. Any items costing below this amount should be expensed in MTA's financial statements.

MENDOCINO Transit Authority establishes \$75,000.00 as the threshold amount for Leases & Subscription minimum capitalization. Any items costing below this amount should be expensed in MTA's financial statements.

### 4. Capitalization method and procedure

All Capital Assets are recorded at historical cost as of the date acquired.

Tangible assets costing below the aforementioned threshold amount are recorded as an expense for MTA's annual financial statements. Alternatively, assets with an economic useful life of 12 months or less are required to be expensed for financial statement purposes, regardless of the acquisition or production cost.

### 5. Recordkeeping

Invoice substantiating an acquisition cost of each unit of property shall be retained for a minimum of four years.

### 6. Effective Date

This policy shall take effect July 1<sup>st</sup>, 2025.



**MENDOCINO TRANSIT AUTHORITY**  
**RESOLUTION 2025-03**  
**ADOPTION OF FISCAL YEAR 2024-2025**  
**REVISED CAPITAL BUDGET**

WHEREAS this resolution establishes a threshold that dictates when expenditures may be capitalized in accordance with generally accepted accounting principles.

WHEREAS the Mendocino Transit Authority needs to establish a different threshold for each asset class in order to maintain effective managerial control.

THEREFORE, the Mendocino Transit Authority resolves that these dollar levels set the thresholds that apply to the following asset classes:

<u>ASSET CATEGORY</u>	<u>CAPITALIZATION THRESHOLD</u>
Fixed Asset:	\$10,000.00
Lease & Subscription:	\$75,000.00

Adoption of this Resolution was moved by Director \_\_\_\_\_ and seconded by Director \_\_\_\_\_ at a regular meeting of the MTA Board of Directors on March 26, 2025, by the following roll call vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

\_\_\_\_\_  
Tess Albin-Smith, Chair

\_\_\_\_\_  
Jacob King, Executive Director