

Attachment A

VENTURA COUNTY TRANSPORTATION COMMISSION CAPITAL ASSETS POLICY (Effective July 1, 2026)

PURPOSE:

To define eligible costs and establish thresholds for capitalization in conformity with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 51, Accounting and Financial Reporting for Intangible Capital Assets; Statement No. 87, Accounting for Leases; Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAS); and Statement No. 103, Financial Reporting Model Improvements.

To define the policies and procedures governing the capital asset activities for the Ventura County Transportation Commission (VCTC) and ensures consistent management of all capital asset activity.

It is intended that this policy cover all capital assets under the direct authority of VCTC.

GENERAL POLICY:

All assets that meet VCTC's capitalization definition and threshold, as noted under the major asset classes, will be classified and recorded as capital assets in the Commission's financial records.

DEFINITION:

According to the Governmental Accounting Standards Board, capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, rail and rail improvements, works of art and historical treasures, infrastructure, SBITAS, and all other tangible or intangible assets used in operations that have an initial useful life extending beyond one reporting period.

Capital asset capitalization refers to the process of recording the value of an asset and reducing that value over time through depreciation and amortization journal entries over the assets useful life.

MAJOR ASSET CLASSES:

Tangible Assets: Assets that are physical in nature and used in operations. Generally, this includes land, buildings, infrastructure, improvements, equipment, and vehicles.

Land – includes land under infrastructure and preparation costs. Costs may include acquisition prices and charges for initially preparing land for its intended use (basic site improvements, removal, excavation, relocation, and/or reconstruction). Land has an indefinite useful life and is not depreciated.

Buildings – (\$100,000 minimum threshold) permanent structures. Costs can include purchase/construction of a new building or cost of an improvement to an existing building. An entire building can be classified as one asset or be reported as separate capital assets if discrete portions of the building have significantly different useful lives (e.g. roof separate from building).

Infrastructure – (\$100,000 minimum threshold) capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples include roads, bridges, tunnels, drainage systems, and lighting systems.

Improvements other than buildings – (\$100,000 minimum threshold) permanent improvements (non-moveable) other than buildings that add value to land but do not have an indefinite useful life. Examples include fences, retaining walls, parking lots, and landscaping.

Equipment – (\$10,000 minimum threshold) movable assets that includes all costs to place equipment into service (freight, installation, warranties, and sales tax). Each piece of equipment must meet the minimum capitalization threshold and is not recorded in bulk. Examples include vehicles, furnishings, machinery, servers, and appliances.

Intangibles Assets: Assets that are not physical in nature. Generally, this includes software and easements (can also include water rights, trademarks).

Permanent Easements – (\$10,000 minimum threshold) intangibles with an indefinite useful life and are not depreciated.

Temporary Easements – (\$10,000 minimum threshold) intangibles without an indefinite useful life and are depreciated. Examples include temporary construction easements.

Software – (\$10,000 minimum threshold) both internally generated and off-the-shelf applications and programs.

Subscription Leases – (\$50,000 minimum threshold) subscription agreements for the use of information technology software and infrastructure, often through cloud-based services.

Capital Leases – (\$50,000 minimum threshold) for a leased 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).

CAPITAL ASSET USEFUL LIFE: The useful life of a capital asset determines the number of accounting periods over which the asset must be depreciated or amortized. The Commission can determine the useful life of an asset by using historical information, seeking guidance from other external resources, or referring to the subscription term for SBITAS. Depreciation and amortization are recorded on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings and Improvements – 20 to 50 years
- Infrastructure – 10 to 50 years
- Intangibles – 2 to 50 years
- Equipment – 3 to 15 years
- SBITAS – Terms of subscription(s)
- Leases – Lease Terms

COSTS ELIGIBLE FOR CAPITALIZATION:

Costs should only be capitalized if they can be directly associated with a specific asset and if they are incurred after it is likely that the related asset will be acquired. Capital assets should be reported at historical cost, or, if historical cost information is not available, at an estimated historical cost. Donated assets should be reported at acquisition value at the date of donation. Historical costs include the following: 1. Acquisition costs and any cost necessary to place the asset in its intended location (e.g. freight costs, legal costs and title fees). 2. Costs necessary to place the asset in its intended condition for use (e.g. surveying fees, demolition costs, transportation costs, installation and site preparation charges). 3. Costs for additions or improvements (excluding repairs) that enhance the functionality or extend the expected useful life of the asset (e.g. adding a lane or road).

COSTS NOT ELIGIBLE FOR CAPITALIZATION:

1. Costs incurred before the acquisition becomes probable, such as feasibility or site location studies.
2. Costs incurred after the asset has been placed into operation.
3. Equipment or furnishings purchased as a group, where individual items cost less than the capitalization threshold.
4. General and administrative costs (overhead).

5. Training to operate equipment or computer software.
6. Maintenance agreements.
7. Meals or meeting support.

RETIREMENT OF SERVICE: When an asset is no longer used in operations, whether voluntarily or involuntarily, it shall be taken out of service and tracked in the Commission's financial records. These assets will be disclosed separately in the financial statements in accordance with GASB Statement No. 103.

CAPITAL ASSET REVIEW: The Commission utilizes a decentralized method to verify the accuracy of capital assets. Staff are responsible for evaluating the condition and functionality of existing capital assets assigned to their department and Program on an annual basis to determine if the asset remains operational and in service. As part of the fiscal year-end financial reporting process, the Finance Department provides a year-end capital equipment listing to assist departments in conducting physical inventories. Departments should review all capital equipment meeting the \$10,000 minimum threshold and sign and return the following notations, along with any supporting documentation, to the Finance department:

- Any listed equipment found to be missing during the physical inventory.
- Any equipment accounted for but not included on the listing. Since the Commission relies on this decentralized method to verify the accuracy of capital assets, the Finance department may review a random sample of listings from selected departments.

GASB STATEMENT NO. 87

GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 applies to all contracts meeting this definition of a lease, unless specifically excluded.

- Financing leases which do not meet the capitalization thresholds are not subject to this policy, except as required by state law or federal grant uniform guidance.
- The Finance Director has the authority to exercise judgment on materiality of lease liabilities to the financial statements.
- The financing lease liability materiality threshold will follow the capital assets policy and be automatically adjusted as that policy is adjusted.

- Useful life for amortization reporting in a Statement of Net Position will be calculated using the capital asset policy or term of the lease.

The Finance Director and/or the Accounting Manager will annually review new and modified leases for impairment or remeasurement.

- A lease asset will be considered impaired when the utility of that asset no longer meets the function originally intended at the inception of the lease.
- A lease asset and the discount rate should be remeasured and updated if there is a change in the lease term and/or discount rate.

GASB STATEMENT NO. 96

GASB 96 Subscription-Based Information Technology Arrangement (SBITA) is a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible assets, as specified in the contract for a period of time, in an exchange or exchange-like transaction. The Standard does not apply to:

- Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that meets the definition of a lease in Statement No. 87, Leases, in which the software component is insignificant when compared to the cost of the underlying tangible capital asset.
- Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs.
- Contracts that meet the definition of a public-private or public-public partnership as defined in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements.
- Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software.

Short-term SBITAs are excluded from this new reporting requirement. A SBITA is considered short-term if, at commencement of the subscription term, it has a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

REPORTING:

The value of capital assets is reported in the Annual Comprehensive Financial Report (ACFR) by category. The ACFR is available on VCTC's website.

DEFINITIONS:

- A. Capital Assets are defined as tangible and intangible assets of significant value that are used in operations and that have initial useful lives extending beyond a single reporting period.
- B. Construction-In-Progress is the accumulation of all qualified costs incurred on uncompleted capital projects that meet or exceed the capitalization threshold for the applicable asset class. At the time of completion, the construction-in-progress cost should be transferred to the applicable asset class and depreciated in accordance with the standard useful lives. Costs of construction-in-progress should not be depreciated until the finished asset is placed into service.
- C. Cost of the capital assets should be reported at historical cost unless otherwise specified. The cost of a capital asset should include the cost of the asset itself and any ancillary charges necessary to place the asset into its intended location and condition for use. This includes costs that are directly identifiable/related to a specific asset such as installation fees, freight, insurance, sales taxes, etc. Improvements that provide additional value by extending the asset's estimated useful life or increasing a capital asset's performance or productivity should also be capitalized. Costs such as feasibility studies and training are not included in the value of the capital asset. Donated assets are valued at the date of the donation using acquisition value.
- D. Depreciation and Amortization is the process of allocating the cost of an asset over its useful life. Depreciation is for tangible asset and amortization is for intangible asset. The sum of the depreciation/amortization (accumulated depreciation/amortization) at the end of an asset's life should equal the historical cost of that asset. Depreciation/amortization normally starts when an asset is purchased, completed, and placed into service.
- E. Retirement/Disposal of Assets is when the asset is scrapped, abandoned, sold, traded-in or removed from service during any given reporting period.
- F. Useful life of an asset is defined as the period during which an asset or property is expected to be usable for the purpose it was acquired.
- G. Federal Funding: Assets acquired with Federal grants often have limitations and/or restrictions. Project managers in charge of purchasing the assets should refer to the grant or consult with the Programming Director for specific guidelines and rules regarding the purchase of capital assets with these funds and inform the Finance Department.