

**CCTA POLICY O-10
CCTA CAPITALIZATION POLICY**

I. BACKGROUND

CCTA is required, under federal regulations and under generally accepted accounting principals to track fixed assets.

The federal regulations allow CCTA to determine a threshold amount for capitalization with regard to fixed assets.

Anything that is capitalized must be tracked for its useful life in great detail: inventoried, rated for condition, depreciated, benchmarked against replacement cost, and reported repeatedly to the State and Federal government in separate formats. Thus there is a cost to CCTA to comply with this regulation that increases with the amount of things that are capitalized.

The FTA, in Circular 4220.1e, Chapter 2, 1e, requires CCTA to adopt a capitalization policy and the minimum threshold is that all rolling stock and items with a unit cost of \$5,000 or more be capitalized.

In FY 04 and prior, CCTA's policy was to capitalize items with a unit cost of \$1,000 or more. Given the major assets CCTA holds and the cost of repair parts for buses, this \$1,000 threshold resulted in an unmanageable list of capital assets.

II. PURPOSE

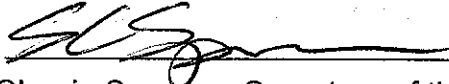
The purpose of a capitalization policy is twofold: to track the major and material assets of CCTA, and to comply with Federal and State regulations regarding these assets as the Federal government holds an 80% share in them. Although it is a CCTA responsibility to track the assets, the Federal government holds a controlling interest in them and they are largely being tracked on their behalf.

III. POLICY

Capitalization Policy:

Starting in FY 05 and thereafter, CCTA shall capitalize, for accounting purposes, all rolling stock and assets with a unit cost of \$5,000 or greater. CCTA will implement such tracking mechanisms as required under accounting and grant management regulations.

Adopted by the CCTA Board of Commissioners on 7/27/05.

By:  7/27/05
Chapin Spencer, Secretary of the Board