830 West Lauridsen Boulevard
Port Angeles, Washington 98363
CLALLAM TRANSIT
www.clallamtransit.com
360-452-4511

Policy Title: CAPITAL ASSETS POLICY		Policy No.: 20-450
Review Responsibility: Cherie Huxtable, Finance Manager	**Approved By:** Jason McNickle, Acting General Manager	
Authorized By: Clallam Transit System Resolution No. R11:2019, which supersedes all prior resolutions		**Effective Date:** 09/17/2025

1. PURPOSE

To establish definitions and controls for Clallam Transit System (CTS) around the accounting, safeguarding, tracking, and management of capital assets and small and attractive assets in accordance with Generally Accepted Accounting Principles (GAAP), the requirements of the Governmental Accounting Standards Board (GASB), the Federal Transit Administration (FTA), and applicable Revised Code of Washington (RCW) laws.

2. SCOPE

This policy applies to all employees involved in the acquisition, management, and disposal of capital assets and small and attractive assets. The CTS finance manager will determine the proper classification and capitalization of assets.

3. THRESHOLD

A. Capital assets must have a useful life of more than one year and an acquisition cost of $10,000[1] or more for equipment, shelters, and vehicle type assets.

B. Building, grounds, and facility type assets will have an acquisition cost of $50,000 or more.

C. Land will be capitalized regardless of cost.

D. An additive improvement to an existing asset must be permanently attached to or an integral part of the assets functionality and extend the life by more than one year. Additive improvements will be capitalized as a separate asset if the acquisition cost meets the thresholds for the asset type in sections 3.A through 3.C.

- **3.D.1** Additive improvements create additional value in the asset. Added value is achieved by either lengthening the asset's estimated useful life by more than one year or increases that asset's ability to provide greater service (such as better efficiency or effectiveness).
- **3.D.2** Routine repairs and maintenance retain the value of the asset and do not extend the life. These repairs are expensed and not capitalized, regardless of cost.

E. Small and attractive assets are items with a useful life greater than one year, cost more than $500 but less than $10,000, and are at a high risk of misappropriation for personal use or theft. Examples include but are not limited to tools, laptops, computers, or power equipment.

F. Leases or contracts that fall under the qualifications of GASB 87 and Subscription Based Information Technology Agreements (SBITA) under the qualifications of GASB 96 will have a contract cost of $50,000 or more.

G. Individual items below the dollar threshold but are purchased in a significant quantity for capital projects may be capitalized in aggregate if the value of the purchase exceeds the capitalization threshold. This will be determined on a case-by-case basis by the finance manager.

---

[1] Assets purchased prior to September 17, 2025, were capitalized at an acquisition cost of $5,000. Those assets will continue to be reported as capital assets on CTS's financial statements until disposal.

H. Donated items will be recorded as a capital asset if the fair market value (FMV) of the item exceeds $10,000 at the time of acquisition.
I. Maintenance or repairs to an existing asset will be expensed in the period the cost was incurred.
J. Work-in-process assets are those CTS has possession of but are not yet ready for use. These assets are not capitalized until they are officially placed into service and ready for their intended use.

4. CATEGORIES

When an asset is capitalized, it will be assigned one of the following classes:

Class	Description
105	Land
110	Buildings
120	Shelters
140	Vehicles
170	Computers, Cameras, & IT Equipment
175	Furniture, Fixtures, & Non-IT Equipment
180	Leases
185	SBITA
200	Small and Attractive

5. ACQUISITION

A. All capital asset and non-capital asset purchases must follow CTS Procurement Policy 20-001.
B. Capital asset purchases must be on the Board approved Capital Project List or receive Board approval before purchasing.
C. Finance will assign the appropriate project account numbers for tracking and accounting to identify all costs associated with the asset.
D. Valuation of capital assets will be recorded for all costs incurred directly relating to making the asset ready for use. These costs include but are not limited to taxes, shipping, registration fees, installation, logo applications, and planning.
  5.D.1 All invoices and supporting documentation that pertains to the asset valuation will be retained by finance in accordance with applicable government retention schedules and according to CTS Records Management Policy 30-250.

6. ASSET IDENTIFICATION

All capital assets, small and attractive assets, and items or equipment purchased with grant funding will be assigned an asset tag to be attached for easy asset identification. When attaching a physical tag is not practical, the asset will be identified by some other reference, such as a serial number or inscription.

7. DEPRECIATION

A. Assets that are capitalized will be depreciated using the straight-line method over the asset's estimated useful life, beginning when the asset is placed into service. An asset is considered "placed into service" when it is in the location and condition necessary for it to be capable of its intended use.
  7.A.1 Useful life for rolling stock is in accordance with the FTA circulars, regardless of the funding used to procure the vehicle.
  7.A.2 The custodian or purchaser of the asset will assist finance in determining the useful life of an asset based on historical experience with similar types of assets, condition of the asset at time of acquisition, expected use and maintenance, manufacturer recommendations, and/or any legal, regulatory, or contractual provisions.
  7.A.3 The general estimates for useful life used for depreciation purposes are as follows:

Land	Not Depreciated
Buildings	10 to 40 years
Shelters	5 to 15 years
Vehicles	4 to 12 years
Computers, Cameras, & IT Equipment	3 to 10 years
Furniture, Fixtures, & Non-IT Equipment	3 to 15 years
Intangible Assets	3 to 10 years

B. Depreciation expense is calculated at least annually and is based on months of life used since the previous calculation.
C. Work-in-process is not depreciated until the asset is complete and put into service.

8. CUSTODY

A. All employees are expected to safeguard CTS assets from loss and misuse to the best of their ability.
B. Department managers are the assigned custodian for assets that are assigned to their department.
- **8.B.1** Custodians are expected to track and maintain the assets assigned to their department.
- **8.B.2** Custodians will communicate to finance any new acquisitions, impairments, or disposals of assets within their custody using the appropriate forms, if applicable.

C. Finance will maintain the master list of assets which identifies the custodial department for each asset.

9. DISPOSAL

A. Assets deemed no longer needed or obsolete can be disposed of via public surplus, donation, scrap, or sale to another government agency.
- **9.A.1** Requests for disposal approval will be made by the assets assigned custodian on the CTS Disposal Form and signed by the proper authority in accordance with Section 9.B through 9.C.
- **9.A.2** Approved forms will be returned to finance after disposition is completed to update the asset records.

B. Custodians are delegated authority to dispose of vehicle parts, components, and other supplies, which are deemed excess to the future needs of CTS in a manner they determine to be in the best interest of CTS.
C. The general manager is delegated authority to dispose of capital assets having a book value of $10,000 or less and all vehicles, regardless of value, which are deemed excess to the future needs of CTS.
- **9.C.1** Assets purchased with grant monies have certain requirements to be deemed as excess or no longer useful. The general manager will refer to the grant contract and/or applicable guidebooks before deeming property as disposal to ensure all the requirements have been met.

D. Board approval is required before the disposal of personal property (excluding vehicles) having a book value in excess of $10,000.
E. All real property, defined as fixed property, such as land and buildings, will have an appraisal completed and signed by an appraiser licensed in the State of Washington within the last 90 days before determining mode of disposal. The report will be provided to the Board during an executive session in accordance with RCW 42.30.110(c).
F. All personal and real property with an estimated value of more than $50,000 must undergo a public hearing process before being declared surplus in accordance with procedures outlined in RCW 39.33.020.

10. PHYSICAL VERIFICATION

A. Capital assets and small and attractive assets will be physically verified every two years.
B. Roles and Responsibilities
- **10.B.1** Finance will initiate the physical verification process by providing lists of the assets assigned to each custodian. The custodian will assign a designee to complete the verification.
- **10.B.2** The Custodian is responsible for the overall management and accountability of assets within their

department. They ensure the accuracy of the asset register.

10.B.3 A qualified employee assigned by the Custodian to assist with the physical verification process. The designee is responsible for locating and verifying all assets assigned to the department.

C. Verification Process

10.C.1 The Custodian, or their assigned designee, will physically verify the existence of all assigned assets, look for evidence of misuse, and ensure the asset is still properly tagged. They will document any incorrect descriptions or serial numbers, any changes in location, need for repairs, or if the asset is rendered useless or missing on the listing provided by finance.

10.C.2 The Custodian will review and verify the forms accuracy before submitting to finance.

10.C.3 Any missing items will be evaluated by finance for fraud or suspected losses that are reportable to the Washington State Auditor's Office (SAO) in compliance with CTS policy 30-150 Losses of Public Resource and Illegal Activities.

10.C.4 Following this evaluation, the general manager will review and may approve the removal of the asset from the asset management system if they deem removal appropriate.

11. ADMINISTRATIVE AND REGULATORY CHANGES

A. To facilitate the regular business routine of CTS, the CTS Board authorizes and designates the CTS general manager to approve and implement subsequent changes to this policy when required to be compliant with federal and state regulatory changes or clarifications. The Board will be notified of all policy changes as soon as reasonably possibly.

12. REFERENCES

A. CTS Disposal Form
B. CTS Procurement Policy, 20-001
C. CTS Losses of Public Resource and Illegal Activities Policy, 30-150
D. CTS Records Management Policy. 30-250
E. RCW 42.30.110 Executive Sessions
F. RCW 39.33.020 Disposal of surplus property – Hearing – Notice
G. Accounting for Capital Assets, 2nd edition; Government Finance Officers Association