



Town of Hollis, New Hampshire CAPITAL ASSET POLICY

PURPOSE

The purpose of this Policy is to establish reporting requirements for fixed assets, infrastructure assets and depreciation of assets in order to comply with financial reporting requirements established by the Governmental Accounting Standards Board (GASB) Statement No. 34. This policy will provide control and accountability for the Town's capitalized assets, ensuring they are classified properly, accurately and consistently.

POLICY

- a. All items that have a useful life of more than one year, and a minimum value of \$10,000 will be capitalized and depreciated for financial reporting purposes.
- b. Items of less than \$10,000 are not to be considered as fixed assets unless they form an integral and essential part of another piece of equipment or structure considered to be a fixed asset or a part of a capital project.
- c. Items purchased in groups, where the group purchase cost is over \$10,000 but the individual cost is less than \$10,000 shall not be capitalized. A department may be required to track items purchased in a group to insure proper use and allocation of the item.

ASSET VALUATION

Capital assets should be recorded at historical cost or, if the cost is not readily determined, at estimated historic cost. All costs shall be documented, including methods and sources used to establish any estimated costs.

- a. Purchased assets – the recording of purchased assets should be made on the basis of actual costs, including any ancillary costs, based on vendor invoice or other supporting documentation. For buildings and improvements, ancillary costs include professional fees of architects, attorneys, etc., costs of fixtures permanently attached to a building or structure, and other expenditures necessary to place the building into its intended use. For equipment, ancillary costs include transportation charges, installation costs and other expenditures necessary to place the equipment into its intended use.
- b. Self-constructed assets – all direct costs (including labor) associated with the construction project should be included in the asset cost.
- c. Donated assets – assets acquired by gift, donation or payment of a nominal sum not reflective of the asset's market value shall be assigned cost equal to the fair market value at the time of



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acquisition. Fair market value represents the price actually given in current market dealings or the price a willing buyer would pay a willing seller to exchange property.

- d. Land – all land with title owned by the Town, regardless of cost, will be capitalized. This includes conservation land, gifted properties, land acquired through tax deed and general municipal properties.
- e. Infrastructure – Town roadways and the associated storm drainage-pipeline-catch basin systems underneath, as well as bridges and culverts, will be capitalized. New roadways will be capitalized at the time they are officially accepted by the Town. The amount capitalized will be based on the cost to build the roadway, including all costs to prepare and build the roads. Bridges will be capitalized at the cost of construction or reconstruction.

ASSET CLASSIFICATIONS

Capital assets should be classified in one of the following categories and depreciated (except for land) according to the Useful Life Schedule.

- a. **LAND** – Expenditures for the purchase of land with title owned by the Town; may include closing costs, appraisals, legal and title fees, purchase of rights of way, and site preparation.
- b. **LAND IMPROVEMENTS** – Expenditures for acquiring improvements to land or property surrounding the buildings (not associated with the building structure itself). Includes improvements that deteriorate with use or passage of time such as drainage systems, driveways, parking lots, sidewalks, fences, area lighting of streets and parking lots, retaining walls, and athletic fields and similar facilities; may include expenditures for improvements that produce permanent benefits, such as fill and grading costs, that are intended to make the land ready for its designated purpose.
- c. **BUILDINGS** – Expenditures for contracted construction of new permanent structures, additions to or acquisitions of existing buildings, not including land; however, this category also includes the cost of blasting and otherwise preparing the land on which the building will stand, as well as the cost to demolish any structures being replaced.
- d. **BUILDING IMPROVEMENTS** – Expenditures for improvements to existing buildings, including property permanently attached to, or an integral part of, the structure. This category includes major permanent structural alterations, roof replacements, interior or exterior renovations, fire protection systems installation or upgrade, electrical and plumbing upgrades, HVAC installation or upgrade, and installation of elevators. Each improvement will be capitalized and depreciated as a separate asset, apart from the original building asset.
- e. **VEHICLES, MACHINERY AND EQUIPMENT** – Expenditures related to the acquisition of vehicles and equipment (i.e., heavy equipment, public safety equipment,



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furniture and fixtures, and computer and other electronic equipment); may also include collections such as library books.

- f. **INFRASTRUCTURE** – Expenditures for construction of, or major renovation to, long-lived fixed assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets: including roads, bridges, drainage systems, water and sewer systems, dams and lighting systems. This category also includes the cost of demolition to construct such infrastructure; it does not include any buildings or equipment related to these systems. For roads, capitalization would apply to full reconstruction or shim and overlay projects valued at more than \$50,000, but not to maintenance items such as crack sealing.
- g. **CONSTRUCTION IN PROGRESS** – Expenditures for construction work on a capital project undertaken, but not yet completed. For construction in progress assets, no depreciation is recorded until the asset is placed in service. When construction is completed, the asset should be reclassified as one of the above asset classes, and should then be capitalized and depreciated. A project is considered complete if it is at least 90% complete and is being used for its intended purpose.
- h. **COMPUTER SOFTWARE** – This intangible asset includes externally purchased software costs, not including hardware components. For purposes of capitalization, this asset classification does not include software which is utilized by the Town in accordance with annual licensing agreements (such as Microsoft Office applications and Vision assessing software). Any capitalized software amount should include only the direct costs of obtaining the software. Upgrades and enhancements should only be capitalized if such costs increase the life or functionality of the product. Ongoing maintenance agreements on any capitalized software should be expensed.

DEPRECIATION

The straight-line method will be used when calculating depreciation, taking into consideration the salvage value at the end of the asset's useful life. The salvage value will be assumed to be zero for reporting purposes. Straight-line assumes that the asset will depreciate at the same rate each year of its useful life.

The policy for recording depreciation on capital assets is to take one full month's depreciation starting in the first full month in which the asset is placed in service and each month thereafter. Depreciation for all assets will be run through the accounting software once a year at fiscal year-end closing. Once fully depreciated, capital assets will remain on the books (net of accumulated depreciation) as long as they remain in use.



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Infrastructure will be depreciated; however, land and construction in progress will not be depreciated. Depreciation of intangible assets, such as computer software, is referred to as amortization and will be calculated in the same manner as tangible assets.

The following table is a general guide for the useful lives of various categories of capital assets and will be used in calculating depreciation:

USEFUL LIFE SCHEDULE *(Note: this table is not all-inclusive)*

CATEGORY	EXAMPLES	USEFUL LIFE
Land	All Town-owned land, must include map, lot	Not Depreciated
LAND IMPROVEMENTS		
Ground Work	Athletic fields, drainage systems	15 years
Structural	Parking lots, sidewalks, fences and gates, ball courts, permanent benches and tables	15 years
Other	Lighting, stone walls	15 years
Buildings	Permanent structures, including additions, ADA improvements	40 years
Building Improvements	HVAC, roofing, windows, overhead doors	20 years
VEHICLES		
Light Vehicles	Automobiles and police cruisers, vans, pickup trucks, ambulances, rescue boats and sleds, certain trailers	5 years
Heavy Vehicles	Fire apparatus, certain trailers, loaders, dump trucks	10-15 years
COMPUTERS & ELECTRONICS		
Computers	Desktop computers	4 years
Computers	Servers, specialty printers	5 years
Software	Computer software	5 years
Office Equipment	Microfilm scanner and reader, voting machines	10 years
Mobile/Portable	Radios, recorders	10 years
Fixed/Permanent	Telephone switch, base stations	20 years
EQUIPMENT		
Firefighting	SCBA gear, compressors, thermal imaging equipment, ladders	10 years
Medical	Defibrillators	5 years



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Mechanical	Vehicle lift, extrication equipment	15 years
FURNITURE & FIXTURES		
Indoor	Counters, partitions, reference desks, wall storage units, mechanical shelving	15 years
Outdoor	Playground, benches, picnic tables, scoreboards	15 years
Other	Carpeting	5 years
Books & Collections	Library books	5 years
INFRASTRUCTURE		
Roadway Reconstruction	Full reconstruction projects	20 years
Roadway Paving	Shim and overlay projects greater than \$50,000	10 years
Fire Ponds/Cisterns		5 years
Other	Bridges, culverts, storm drains	50 years

CAPITAL LEASES

Capital leases that meet the Town's capitalization threshold and are retained/owned by the Town will be capitalized and depreciated in accordance with this policy.

RECORDS RETENTION

For each capital asset recorded in the Town's fixed asset system, evidential information such as invoices, contracts, deeds, purchase orders, appraisals, and/or other methods used to estimate actual costs shall be obtained by Finance to support the value recorded on the Town's financial statements. This documentation should be kept for one full year after the asset is disposed of (once the annual audit has been completed for the year of disposal).

INTERNAL CONTROLS

All departments should have procedures in place so that all assets are adequately safeguarded from loss or theft and adequate documentation is maintained to support the cost and maintenance of the assets.



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Adopted by:

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