



# TOWN OF GOFFSTOWN, NH

## CAPITAL ASSET POLICY

<b>Policy Type</b>	Town Financial Policy
<b>Adopted Date</b>	05/22/2023
<b>Adopted By</b>	Goffstown Select Board
<b>Effective Date</b>	05/23/2023
<b>Revision Date</b>	

### Purpose

Every capital asset has limited useful service life that spans more than one year. These are categorized as Land, Land Improvements, Buildings, Building Improvements, Construction in Progress, Machinery and Equipment, Vehicles, and Infrastructure. The Town will identify and record assets in its accounting records. It will determine depreciation based on the historical acquisition costs of the assets or the 'fair value' of donated assets and utilize a straight-line method of depreciation over the estimated useful life of the asset.

### Applicability

This policy applies to all departments of the Town of Goffstown.

### Definitions

**“Land”** is land held by the Town, as well as expenditures for the purchase of land. This includes closing costs, appraisals, and purchases of rights-of-way and/or site preparation.

**“Land Improvements”** are improvements made to land of a fixed nature, as well as expenditures for acquiring improvements to land (not associated with building) intended to make the land ready for its purpose. These assets include, but are not limited to, landscaping, property drainage, driveways, parking lots, monuments, fences, area lighting of streets and parking lots, retaining walls, and athletic tracks and fields. Asset cost could include costs of studies and architectural and consulting fees for new or renovated improvements other than feasibility studies.

**“Buildings”** are buildings constructed or purchased by the Town, as well as expenditures for contracted construction of new buildings, additions to or acquisition of existing buildings. This also includes the cost of demolition for the purpose of reconstruction and may include the initial cost of major building equipment components of a fixed nature.

**“Building Improvements”** are improvements made to existing buildings of a capital nature, as well as expenditures for improvements to existing buildings. This includes major permanent structural alterations, roof or window/door replacements, interior or exterior renovations, fire protections systems installation or upgrade, electrical and plumbing upgrades, heating, ventilation and air conditioning systems (HVAC), elevators or other ADA improvements, power generation, and other service systems of buildings.

**“Machinery and Equipment”** is equipment usually composed of a complex combination of parts of a capital nature, as well as expenditures for the acquisition of equipment. This includes shipping, upfit costs and equipment-specific accessories for the purpose of placing asset into service. This may also include equipment primarily used in construction and reclamation, but not qualified under the definition of a vehicle.



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**“Vehicles”** are equipment used to transport persons, objects or large quantities used in construction, as well as expenditures for the acquisition of equipment. This includes shipping costs, upfit costs and costs of vehicle-specific accessories for the purpose of placing asset into service. This may not include transferable accessories otherwise captured in machinery and equipment such as trailers. Examples may include police cruisers, pick-up trucks, ambulances, fire apparatus’, dump trucks, etc., including the cost to acquire and install related accessory equipment.

**“Furniture and Fixtures”** are furnishings generally of a capital nature used in business/office facilities. These assets are generally recognized under acquisition of building or building improvement assets. Those furnishings not of a capital nature are maintained under departmental inventory listings of assets deemed “Minor but Sensitive.” Examples of this may include desks, cubicles, office chairs, bookshelves, counters, carpeting, etc.

**“Infrastructure”** is major permanent land improvements purposed for use in key public-service systems, as well as expenditures for the construction or major reconstruction or infrastructure. This includes major transportation routes such as roadways, bridges and sidewalks and major public-service systems such as water and sewer lines.

In accordance with Governmental Accounting Standards Board’s alternative method for infrastructure asset reporting, maintenance of the existing condition of major infrastructure assets are not required to be capitalized unless major reconstruction occurs if certain reporting conditions are met.

**“Roadways”** are roads once accepted by the Town as Class V roads. It is the responsibility of the Town to maintain the condition of roadways claimed by the Town. This includes shim and overlay expenditures, as well as maintenance items such as crack sealant.

**“Useful Life”** is how long the asset is intended to remain in service.

**“Depreciation”** is the accounting for the value of an asset lost over the useful life of the asset as a result of age, wear, and use.

For the purpose of governmental reporting, all assets subject to depreciation are depreciated evenly over the life of the asset, as it is the expectation of due diligence that assets will be properly maintained, and useful lives assigned are appropriate for the nature of the asset.

**“Depreciation Expense”** is the accounting for the cost associated with the loss in value of an asset each period.

**“Accumulated Depreciation”** is the carrying loss of value over the periods (years) since acquisition and being placed in service.

**“Book Value”** is the value of the asset when acquired and put in service, net of accumulated depreciation against the asset. This may also be referred to as “Net Asset Value.”



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### Administrative Policy and Procedures

The following table depicts the balance sheet and expenditure object codes of capital asset items, the dollar value at which the items will be inventoried and/or capitalized and whether the item is depreciated:

Classification	Inventory	Capitalize	Depreciate
Land	All	All	No
Land Improvements	\$5,000	\$10,000	Yes
Buildings	All	\$10,000	Yes
Building Improvements	\$2,500	\$10,000	Yes
Machinery & Equipment	\$2,500	\$10,000	Yes
Vehicles	\$5,000	\$15,000	Yes
Infrastructure	\$5,000	\$20,000	Yes
Construction in Progress (CIP)	\$10,000	\$10,000	No
Furniture and Fixtures	All	<i>Minor but Sensitive</i>	No
Grouped assets	All	\$75,000	Yes
Tax Deeded Property	All	N/A	No

In accordance with Federal regulations, any capital asset acquired with federal funds shall be tagged, inventoried, and capitalized at a \$5,000 threshold. A separate and independent listing of federal funded equipment will be maintained at least annually by the Finance Department.

**Depreciation:** The Straight-Line method is used to calculate depreciation (i.e. assets are depreciated evenly over their useful lives). The Town may take into consideration salvage value at the end of an asset's useful life. Grouped assets will not be assigned a salvage value and salvage values will only be assigned if valid estimable recovery of cost can be determined at time of recognition. The policy for recording depreciation on capital assets, in accordance with the software's (MUNIS) automated calculations, one twelfth of a full year's depreciation for each full month an asset was in service during the calendar year.



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The following table reflects the useful lives of various categories of capital assets for municipal government:

Category	Examples	Useful Life (years)
<i>Land</i>		N/A
<i>Land Improvements: (Improvements O/T Build.)</i>		
Groundwork	Landscaping, turf	20
Structural	Fencing, parking lots, retaining walls, cisterns, drafting pits, tennis courts, pools	10 - 20
<i>Other</i>	Software, firmware	5
<i>Buildings</i>		
Permanent	Fixed structures	40
Temporary	Mobile units, storage sheds	10 - 20
<i>Building Improvements (Improvements O/T Land)</i>	Building systems – surveillance and alarms, CCTV systems, HVAC systems, generator, lifts and other fixed vehicle maintenance and repair equipment, radio systems (internal or affixed)	10 - 20
<i>Machinery &amp; Equipment</i>		
Construction equipment	Backhoe, loader, excavator, trailer	10 - 20
Maintenance equipment	Sidewalk plow, tractor, mower, small trailer, chipper	5 – 10
Fire/Rescue equipment	Defibrillators, chest compression system	10
Information technology	Servers, network hardware	5 – 7
Street lighting and traffic control		10
<i>Vehicles</i>		
Light vehicles	Police cruisers, pick-up trucks	5
Heavy vehicles	Dump truck/sander, vacuum truck	10
Fire/Rescue vehicles	Fire engine, pumper, ambulance	10 - 15
<i>Infrastructure</i>		
Roadways	Roads, sidewalks, trails	40
Bridges	Vehicle or pedestrian	40
Sewer lines	Pipelines, extensions	40
<i>Construction in Progress</i>		N/A



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### ESTABLISHING AND SETTING THE THRESHOLD LEVELS FOR RECORDING CAPITAL ASSETS:

**Estimated Useful Life** – The first criterion is useful life. An asset must have an estimated useful life greater than one year to be considered for capitalization and depreciation. Assets that are consumed, used-up, habitually lost or worn-out in one year or less should not be capitalized.

Estimated useful life means the estimated number of years that an asset will be able to be used for the purpose for which it was purchased. In determining useful life, governmental entities should consider the asset's present condition, use of the asset, construction type, maintenance policy, and how long it is expected to meet service demands.

**Asset Cost** – The second criterion for determining depreciable capital assets is cost. Governmental entities do not need to capitalize every asset with a useful life greater than one year, such as land and construction remaining in-progress.

### Write-off of Capital Assets

Assets will be written off the books, along with associated accumulated depreciation, when the asset is no longer in use. Assets fully depreciated, but still in use, will remain on the books. Certain assets that are capitalized and depreciated as a group will be written off the year it becomes fully depreciated.

For assets fully depreciated, not in use, but still in possession of the Town, these assets will be maintained on *Minor but Sensitive* inventory listings held by each department until formally disposed. The same applies to grouped assets fully depreciated but still in use/possession of the Town.

### Minor but Sensitive Assets

Each department shall be responsible for maintaining listings of minor but sensitive assets. Individual or grouped assets that would otherwise be treated as expenses in any given period that may not, as a group or individually, meet the cost threshold for capital asset recognition but would otherwise be expected to remain in service for a period greater than one year are subject to being inventoried on an annual basis as *minor but sensitive* assets.

### Tax Deeded Property Held for Resale

In accordance with the deeding process following by the Town and associated State statutes, the Town holds properties deeded for nonpayment of taxes and back taxes, with the intent to collect on those debts via resale to the estate or a third party through due process. These assets, regardless of the inclusion of land and buildings accumulating to assessed values potentially in excess of applicable thresholds, are not capital in nature until such time as those properties may be claimed for Town use going forward. An acquisition will be recognized at that time. All tax deeded property held for resale will be inventoried, but not recognized for capital asset reporting.



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### **Policy Change and Retroactive Procedures**

Changes to policy thresholds or criteria for recognition may result in previously recognized assets no longer being eligible for recognition as capital in nature or result in previously recognized assets being subject to updated useful life expectations.

It is the policy of the Town to refrain from making retroactive adjustments, unless deemed necessary for more accurate and clear accounting and reporting. Existing assets recognized under previously approved policy were done so under conditions then prevailing and will be treated as such. Existing assets no longer eligible for recognition under current policy may be retired/written-off when fully depreciated.

### **POLICY REVIEW AND AMENDMENTS**

This policy shall be reviewed and re-affirmed on a regular basis, no less often than every five (5) years, to ensure the accuracy and applicability of useful lives, depreciation expectations, and capital asset categories.

### **EFFECTIVE DATE**

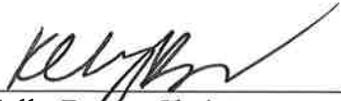
This policy shall be effective upon a vote of the Select Board and shall replace any and all capital asset and depreciation policies previously enacted by the Town.

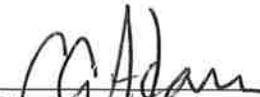


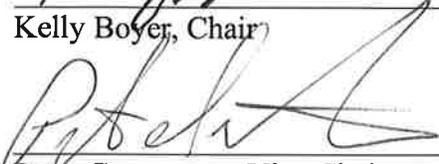
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*This policy was adopted by the Goffstown Select Board on the May 22, 2023.*

  
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Kelly Boyer, Chair

  
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Collis Adams

  
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Peter Georgantas, Vice Chair

  
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Jim Craig

  
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Mark Lemay

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