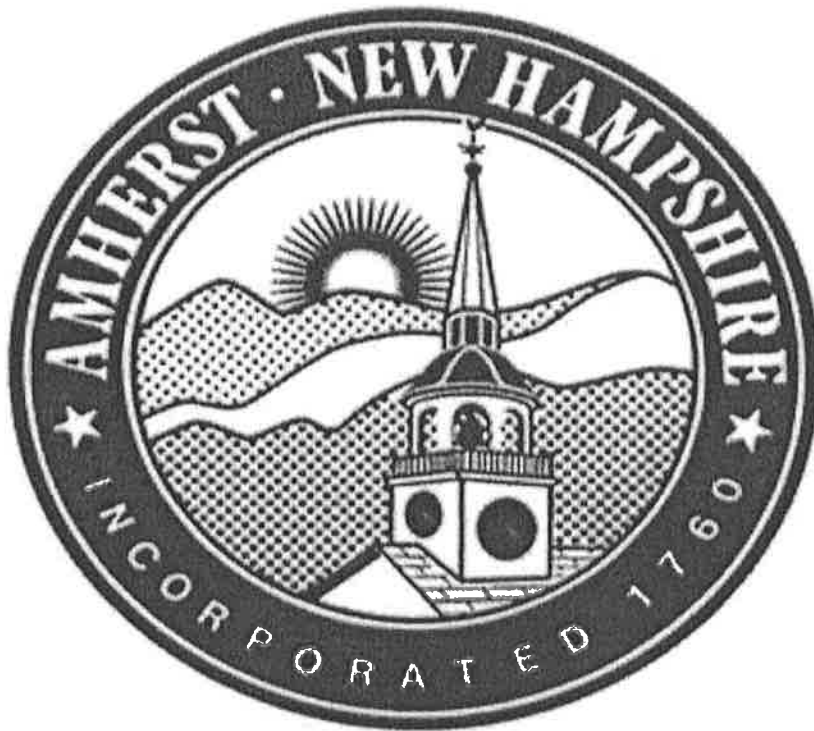


Town of Amherst



Capital Asset Policy

Effective January 13, 2020

Town of Amherst Capital Asset Policy

Section 1. Purpose

Every capital asset has limited useful service life that spans more than one year. Assets are categorized as Land, Land Improvements, Buildings, Building Improvements, Construction in Progress, Furniture & Fixtures, Infrastructure, Equipment, and Vehicles. 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.

Section 2. Objectives

- 2.1 To provide control of and accountability for the town's capitalized fixed assets, ensuring all recorded assets are classified properly, accurately, and systematically.
- 2.2 To ensure the town has adequate information necessary to report on the assets in the annual audited financial statements and a documented audit trail of transactions.

This policy shall be known as the "Town of Amherst Capital Asset Policy" and may be cited as such.

Section 3. Definitions

For the purposes of this Policy, the following terms, phrases, words and their derivations shall have the meanings ascribed to them in this section:

- 3.1 **Accumulated Depreciation** – The total depreciation expense accumulated since the acquisition date of fixed assets to the current fiscal year.
- 3.2 **Amortization** – The systematic allocation of the cost of an intangible asset over its intended useful life.
- 3.3 **Asset Inventory System** – A system within the finance department providing control of and accountability for the Town's capitalized fixed assets; ensuring all recorded assets are classified properly, accurately and systematically; providing information necessary for departments to monitor the physical condition of the assets; providing information necessary to report on the assets in the annual audited financial statements and a documented audit trail of transactions. The asset inventory system, known as the Springbrook Fixed Asset System will contain the following:
 - a. Acquisition date – the date the Town takes title to, or assumes responsibility for, a long-term asset;
 - b. Description – a descriptive name of the asset including physical location;
 - c. Cost – the total cost to acquire and place the asset in service;

- d. **Disposal date** (as applicable) – the date the Town/department officially surrenders title or use of the asset.

3.4 Bridges – Expenditures for construction of, or major renovation to, bridges. This includes pedestrian as well as vehicular bridges.

3.5 Book Value – The cost of the fixed asset less accumulated depreciation recorded to date (also referred to as carrying value).

3.6 Buildings – Expenditures for contracted construction of new buildings, additions to or acquiring of existing buildings. This also includes the cost of demolition. This should include the initial cost of major building equipment components.

3.7 Building Improvements – Expenditures for improvements to existing buildings. This includes major permanent structural alterations, roof or window/door replacements, interior or exterior renovations, fire protection systems installation or upgrade, electrical and plumbing upgrades, heating, ventilation and air conditioning systems (HVAC), elevators, power generation, and other service systems of buildings.

3.8 Capital Lease – A lease with contractual terms transferring substantially all benefits and risks inherent in ownership of the property to the Town. One or more of the following criteria must be met, to qualify as a capital lease:

- a. By the end of the lease term, ownership of the leased property is transferred to the Town; or
- b. The lease contains a bargain purchase option; or
- c. The lease term is equal to 75 percent or more of the estimated useful life of the leased property; or
- d. The present value of the minimum lease payments (at the inception of the lease), excluding executory costs (usually insurance, maintenance, and taxes, including any profit thereon), is 90 percent or more of the fair market value of the leased property.

Items that qualify as a capital lease must be capitalized and depreciated.

3.9 Capitalize – To record as a long-term asset. The recorded amount is the cost to acquire the asset plus all costs necessary to get the asset ready for its intended use (known as ancillary costs).

4.0 Depreciation – The systematic allocation of the cost of a fixed asset over its intended useful life.

4.1 Depreciation Expense – The amount of depreciation allocated for the current fiscal year.

4.2 Depreciation Method – For purposes of implementing GASB 34, depreciation will be calculated using the straight-line depreciation method. Straight-line assume that the asset will depreciate at the same rate each year of its useful life.

- 4.3 Disposals** – Long-term assets that are no longer used by the Town. These assets should be removed from the Town's asset inventory system. Refer to the Town's Purchasing Policy for guidelines regarding disposal of surplus property.
- 4.4 Documentation** – Data such as invoices, purchase orders, contracts, memos, minutes, bids, etc. supporting the entries made in the asset inventory system.
- 4.5 Fixed Asset** – Tangible assets that are durable in nature, which are acquired for use in operations and not intended for resale, which yield service/benefit over a number of years.
- 4.6 Furniture and Fixtures** – Expenditures for initial, replacement or additional furnishings and fixtures used in business/office facilities, including purchases of carpeting, desks, chairs, bookcases, counters, etc.
- 4.7 Infrastructure** - Expenditures for construction of, or major renovation to infrastructure, including roadways and bridges. This also includes the cost of demolition. It does not include any buildings or equipment related to these systems.
- 4.8 Intangible Asset** – Long-term assets that have no physical substance and are used in operations to produce products or services. Intangible assets costs must be systematically allocated to expenses over their useful life through a process called amortization.
- 4.9 Land** – Expenditures for the purchase of land. This includes closing costs, appraisals, and purchase of rights-of-way and/or site preparation.
- 5.0 Land Improvements** – Expenditures for acquiring improvements to land (not associated with buildings) intended to make the land ready for its purpose. These assets include, but are not limited to landscaping, property drainage, driveways, parking lots, sidewalks, monuments, area lighting of streets and parking lots, fences, retaining walls, and athletic tracks and fields. Asset cost could include cost of studies, architectural and consulting fees for new or renovated improvements.
- 5.1 Machinery and Equipment** – Expenditures for equipment usually composed of a complex combination or parts (excludes vehicles).
- 5.2 Rights of Way** – A legal right of passage over a person's ground, such as a strip of land over which a public road is built. Rights of Way include all Town roads and land on either side, and should be capitalized as Land.
- 5.3 Roadways** – Expenditures for construction of, or major renovation to roadways including the cost of developing roads once accepted by the town as Class V roads. This includes shim and overlay expenditures, as well as maintenance items such as crack sealant if they are deemed to add useful life to the asset.

- 5.4 Transfers** – Assets that have been re-assigned to another department. These assets should remain in the Town's asset inventory system. Any documentation supporting the asset should be forwarded to the department the asset has been transferred to.
- 5.5 Useful Life** – The length of time something is expected to last for its intended purpose (i.e. depreciable life).
- 5.6 Vehicles** – Expenditures for vehicles used to transport persons, objects, or large quantities used in construction. Examples include police cruisers, pick-up trucks, ambulances, fire apparatus, dump trucks, backhoes, graders, etc., including the installation of related equipment.

Section 4. Authority

This policy is adopted by the Board of Selectmen in accordance with RSA 31:39¹: Powers and Duties of Towns" and in accordance with RSA 41:8² and RSA 41:9³ "Choice and Duties of Town Officers" as it relates to their management of the Town's prudential affairs and their authority over expenditures.

Section 5 Policy

The following table depicts the classifications of capital asset items, the dollar level at which the items will be inventoried and capitalized and whether the item is depreciated. The Town of Amherst's policy mirrors the Federal Regulations which states that any capital asset acquired with federal funds shall be inventoried and capitalized at a \$5,000 threshold.

5.1 Levels of Depreciation Table

Asset Classification	Inventory	Capitalize	Depreciate
Land	All	All	No
Land Improvements	\$5,000	\$5,000	Yes
Buildings	All	\$5,000	Yes
Buildings Improvements	\$5,000	\$5,000	Yes
Construction In Progress	\$5,000	\$5,000	No
Machinery & Equipment	\$5,000	\$5,000	Yes
Vehicles	\$5,000	\$5,000	Yes
Furniture & Fixtures	\$5,000	\$5,000	Yes
Infrastructure	\$5,000	\$5,000	Yes

- 5.2 Depreciation** – The straight-line method of depreciation is used to calculate depreciation. The Town may take into consideration salvage value at the end of an asset's useful life.
- 5.3 New Assets** - The policy for recording depreciation on capital assets is to take one half of a full year's depreciation in the calendar year in which the asset is placed in service, regardless of when it was placed in service during the year.

5.4 Useful Life Table

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

Category	Examples	Useful Life
Land	All Town owned land	None
Land Improvements:		
Ground Work	Athletic fields, drainage systems	15
Structural	Parking lots, sidewalks, fences/gates, courts, skate park, perm tables/benches	12
Other	Lighting, stone walls	15
Buildings	Permanent (including additions/ADA improv.)	40
Building Improvements	HVAC, conveyor system, overhead doors, roof, windows	20
Vehicles:		
Light Vehicles/Equip	Autos, cruisers, van, pick-ups, ambulances, rescue boats/trailers	6-10
Heavy Vehicles/Equip	Fire apparatus, trailers, loaders, Mack truck, dump truck	6-20
Machinery & Equipment:		
Computers & Electronics:		
Office	Copiers	7
Computers	Servers, specialty printers	5
Library	Microfilm scanner	10
Elections	Voting machines	10
Communications (portable)	Radios, recorder & CCT equipment, Cable Studio Equipment (cameras, video mixer)	10
Communications (fixed)	Telephone PBX, base stations	20
Public Safety:		
Firefighting	SCBA gear, compressor, thermal imager	10
Mechanical	Vehicle Lift	15
Medical	Defibrillator/Life Pak units	5
Furniture & Fixtures:		
Indoor	Counters, Partitions, reference desks, wall storage units, mechanical shelving	15
Outdoor	Playground, bleachers, benches, picnic tables, scoreboards, radio tower equipment	15
Other	Carpeting	5
Infrastructure:		
Roadway Construction	Full reconstruction projects	20
Roadway Paving	Shim & Overlay projects > \$50,000	10
Other Infrastructure	Bridges, culverts, fire hydrants, storm drains	50
Construction in Progress		None

5.5 Depreciation Examples

For assets held for their entire useful life (or beyond), depreciation is recorded annually based on the cost divided by the number of years of useful life per Table 5.4 above. Once fully depreciated, capital assets will remain on the books (net of calculated depreciation) so long as they remain in use. Certain assets that are capitalized and depreciated as a group, such as computer equipment, will be written off the year it becomes fully depreciated.

Example 1: A copier was purchased in July 2011 for \$5,000 (estimate life for this example is 5 years). Depreciation per year is calculated at \$1,000 per year (\$5,000/5), however the first year of service is depreciated at half the total annual amount. (See Section 5.3 – New Assets)

Year	Fiscal Year	Depreciation Expense	Accumulated Depreciation
1	2011	\$500	\$500
2	2012	\$1,000	\$1,500
3	2013	\$1,000	\$2,500
4	2014	\$1,000	\$3,500
5	2015	\$1,000	\$4,500
6	2016	\$500	\$5,000
7 through disposal year	2017 through disposal year	\$0	\$5,000 (asset carried at \$0 value = \$5,000 cost minus \$5,000 accumulated depreciation)

Each year the asset will be reflected on the financial statements at its net book value, or costs minus accumulated depreciation to date. For assets disposed of before their useful life is reached, the current net book value will be written off as a loss.

Example 2: Assume that in the example above, the copier was disposed of anytime during 2016.

Year	Fiscal Year	Depreciation Expense	Accumulated Depreciation
1	2011	\$500	\$500
2	2012	\$1,000	\$1,500
3	2013	\$1,000	\$2,500
4	2014	\$1,000	\$3,500
5	2015	\$1,000	\$4,500
6	2016	\$0	\$4,500 (asset carried at \$0 value and remaining depreciation of \$500 recorded as loss)
7	2017	\$0	no longer on asset list

Section 6 Capital Leases

Capital leases that meet the Town's capitalization threshold and meet the definition of a capital lease in Section 3.8 will be capitalized and depreciated in accordance with this policy.

Section 7 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 the department heads and provided to the Finance Office for filing in a centralized fixed asset file. The documentation should be kept in a permanent folder and maintained until the asset is disposed of (once the annual audit has been completed for the fiscal year in which the disposal occurred).

Section 8 Annual Physical Inventory

All Departments shall take a complete physical inventory of all assets meeting the inventory threshold set forth in this policy. Inventories shall be updated on an annual basis and submitted to the Finance Office each year.

Section 9 Internal Controls

All departments should have procedures in place so that assets are adequately safeguarded from loss or theft, that adequate documentation is maintained to support the cost of the assets and proper approvals are obtained for all acquisitions in accordance with the Town's Purchasing Policy.

Section 10 Duties of Department Heads

Department Heads are responsible for completing the appropriate forms for the acquisition, transfer, and disposal of all Capital Assets. See attached for copies.

Section 11 Amendments


These policies may from time to time be amended by the vote of the Board of Selectmen at a properly scheduled Selectman's Meeting.

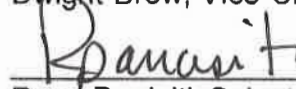
Section 12 Implementation

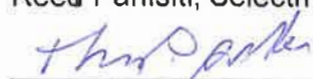
To facilitate conduct in accordance with this policy, a copy of this policy shall be made available to town officials, employees, volunteers, boards and commissions upon hiring, appointment or election to office and at such other times as may be necessary.


Adopted by vote of the Board of Selectmen on this date, the 13th of January, 2020.

 1-13-20
Peter Lyon, Chairman

 01/13/2020
Dwight Brew, Vice-Chairman

 1/13/20
Reed Panisiti, Selectman

 1/13/20
Tom Grella, Selectman

 1/13/20
John D'Angelo, Selectman

Received and Recorded: _____, 2020

Nancy A. Demers
Town Clerk

¹ **31:39 Purpose and Penalties. –**

I. Towns may make bylaws for:

(i) Making and ordering their prudential affairs;

² **41:8 Election and Duties. –** Every town, at the annual meeting, shall choose, by ballot, one selectman to hold office for 3 years. The selectmen shall manage the prudential affairs of the town and perform the duties by law prescribed. .

³ **41:9 Financial Duties. –**

VI. The selectmen shall be responsible for establishing and maintaining appropriate internal control procedures to ensure the safeguarding of all town assets and properties.

Source. 1869, 26:3. 1874, 85:1. GL 40:9. PS 43:7. PL 47:14. RL 59:13. RSA 41:9. 1993, 181:1. 1994, 147:2. 2007, 246:2, eff. Aug. 27, 2007.



Town of Amherst
2 Main Street
Amherst, NH 03031
.603-673-6041

Fixed Asset Change Form

Detailed Description of Asset: _____

Type of Change:

☐

Purchase

Invoice Amount \$ _____

Attach copy of invoice/contract/receipt

Trade-In Value \$ _____

(Complete Fixed Asset Change Form for traded asset)

Net Expense \$ _____

Funding Source: _____

☐

Transfer

To _____

(Department receiving asset)

☐

Disposal

Disposed of how? _____

Value received \$ _____

Date of Change: _____

Authorized Signature

Department

Date