

TOWN OF FAIR HAVEN

Policy Manual

SUBJECT: Assets Capitalization

ORIGINAL POLICY ADOPTED:
EFFECTIVE DATE:

STATUTORY REFERENCE: General Accepted Accounting Principles (GASB 34)

APPROVAL DATE:

APPROVED BY: Board of Selectmen

PURPOSE: To set Town policy on capitalization, recording and inventory of capital assets.

POLICY STATEMENT: Effective July 1, 2003, all new and existing capital assets valued within existing policy limits must be capitalized, reported and recorded in the Town's NEMRC fixed assets system.

Capital assets are property owned by the Town of Fair Haven and include computers, computer equipment, software, and peripherals; equipment such as vehicles, machinery, copiers, and office equipment; buildings and land; and infrastructure such as roads, bridges, right of way, culverts.

General capital assets should be capitalized and recorded when all the following criteria are met:

- 1) The asset is tangible and complete.
- 2) The asset is used in the operation of the Town of Fair Haven activities.
- 3) The asset has a value and useful life at the date of acquisition that meets or exceeds the following:
 - \$2,000 value and two years of life for software, office equipment, maintenance equipment, and other equipment.
 - \$2,000 value and two years of life for all capital improvements.
 - All buildings, right of ways and land as well as computer equipment must be reported regardless of value and useful life at date of acquisition.
 - \$25,000 and three years life for infrastructure and infrastructure improvements.

All general capital assets must be recorded at either historical cost or estimated historical cost. Assets acquired through donation will be recorded at their estimated fair market value on the date of donation. In addition to purchase price or construction cost, capitalizable costs may include incidental costs such as bond interest and issuance costs, insurance during transit, freight, duties, title search, title registration, installation, and breaking-in costs.

Straight-line depreciation method will be used.

Physical inventories of all equipment and vehicles will be taken every year and completed prior to June 1st. Supervisors will be required to sign and approve all inventory adjustments resulting from the inventory. The business manager for audit purposes will keep documentation on file.

The Business Office will be responsible for entering information on new assets, adjustments, depreciation information, and retiring capital assets into the NEMRC fixed asset system, including reconciling to the general ledger and entry into the accounting system.

POLICY HISTORY

ORIGINAL POLICY ADOPTION DATE: 07/01/03