



Town of Northwood Capital Assets Policy

Section 1. Purpose

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, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and Public Colleges and Universities*.

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 Northwood 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 **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 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 Town of Northwood Capital 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.
- 3.3 **Bridges** – Expenditures for construction of, or major renovation to, bridges. This includes pedestrian as well as vehicular bridges.
- 3.4 **Book Value** – The cost of the fixed asset less accumulated depreciation recorded to date (also referred to as carrying value).

- 3.5 Buildings** – Expenditures for contracted construction of new buildings, additions to or acquiring of existing buildings. This also includes the cost of demolition.
- 3.6 Capital Lease** – A lease with contractual terms transferring substantially all benefits and risks inherent in ownership of the property to the Town. One of 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.
- 3.7 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).
- 3.8 Depreciation** – The systematic allocation of the cost of a fixed asset over its intended useful life.
- 3.9 Depreciation Expense** – The amount of depreciation allocated for the current fiscal year.
- 3.10 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.
- 3.11 Documentation** – Data such as invoices, purchase orders, contracts, memos, minutes, bids, etc. supporting the entries made in the asset inventory system.
- 3.12 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.
- 3.13 Land** – Expenditures for the purchase of land. This includes closing costs, appraisals, and purchase of rights-of-way and/or site preparation.
- 3.14 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.
- 3.15 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.
- 3.16 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.
- 3.17 Useful Life** – The length of time something is expected to last for its intended purpose (i.e. depreciable life).

Section 4. Authority

This policy is adopted by the Board of Selectmen in accordance with RSA 31:39; “Powers and Duties of Towns” and in accordance with RSA 41:8 and RSA 41:9 “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 General Policy

- 5.1 This policy applies to all items purchased that have a useful life of more than one year, are of tangible nature and have a value of \$10,000 or more, gross costs, not including trade-ins or any taxes, licenses, etc.
- 5.2 Items of purchase price 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.

Section 6 Asset Valuation

Capital assets should be recorded at historical costs 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.

- 6.1 **Purchased Assets** – the recording of purchased assets should be made based on 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.
- 6.2 **Self-constructed assets** – all direct costs (including labor) associated with the construction project should be included in the asset cost.
- 6.3 **Donated assets** – assets acquired by gift, donation or payment of a nominal sum not reflective of the asset’s market value shall be assigned costs equal to the fair market value at the time of acquisition. Fair market value represents the price actually given in current market dealing or the price a willing buyer would pay a willing seller to exchange property.
- 6.4 **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.
- 6.5 **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.

Section 7 Asset Classification

- 7.1 **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 or way, and site preparation.
- 7.2 **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.

Could include cost of studies or architectural and consulting fees for new or renovated improvements.

- 7.3 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 and the initial cost of major building equipment components.
- 7.4 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/window 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.
- 7.5 Machinery, Equipment, and Vehicles** - Expenditures related to the acquisition of machinery or equipment (i.e. heavy equipment, public safety equipment, initial, replacement or additional furnishings and fixtures used in business/office facilities, including purchases of carpeting, desks, chairs, bookcases, counters, etc. and computer and other electronic equipment). 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.
- 7.6 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.
- 7.7 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 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.

Section 8 Depreciation

The straight-line method will be used when calculating depreciations. The Town may take into consideration salvage value at the end of an asset's useful life. Straight-line assumes that the asset will depreciate at the same rate each year of its useful life.

Section 9 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 11 Amendments

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

Section 12. Capital Assets Administrative Rules

The Town Administrator has authority over Capital Assets Administrative Rules for the purpose of outlining the processes and procedures in place to ensure compliance with all aspects of the Town of Northwood Capital Asset Policy adopted by the Board of Selectmen. Administrative Rules shall be revised and updated by the Town Administrator as necessary.

Section 13. Implementation

To facilitate conduct in accordance with this policy, a copy of this policy and related Administrative Rules 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.

This policy will take effect on XX/XX/XXXX.

Adopted by vote of the Board of Selectmen on this date, the XX of XXXXXXXX, XXXX.

Hal Kreider, Chairman

Matthew Frye, Vice Chair

Beth Boudreau

Timothy Colby

Pamela Sanderson



**Town of Northwood
Capital Assets Administrative Rules**

Section 1 Purpose

The purpose of these Capital Assets Administrative Rules is to outline procedures and provide guidance for compliance with the Capital Asset Policy as adopted by the Board of Selectmen on XXXXX XX, XXXX and should be used in conjunction with the above mentioned policy.

Section 2 Asset Classification/Capitalization/Depreciation

The following table depicts the classifications of capital asset items, the dollar level at which the items will be inventoried and/or capitalized, and whether the item is depreciable. The Town of Northwood'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.

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, & Vehicles	\$5,000	\$5,000	Yes
Infrastructure	\$5,000	\$5,000	Yes

Section 3 Depreciation

- 3.1 Salvage Value** - for simplicity, the salvage value will be assumed to be zero for reporting purposes.
- 3.2 New Assets** - the policy for recording depreciation on new 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.
- 3.3 Depreciation Calculations** – depreciation amounts for all existing assets will be based on the cost divided by the number of years of useful life (per Table 3.5 below). Depreciation shall 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) for as 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 the group becomes fully depreciated.
- 3.4 Intangible Assets** - Depreciation of intangible assets, such as computer software, will be calculated in the same manner as tangible assets.

3.5 Useful Life Table - the following table is a general guide for the useful lives of various categories of capital assets for municipal government and will be used in calculating depreciation: **NOTE:** This table is not all-inclusive and may change per direction of the Town Administrator.

	Category	Examples	Useful Life	
	Land	All Town owned land	None	
Land Improve	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 improvements)	40	
	Building Improvements	HVAC, conveyor system, overhead doors, roof, windows	20	
Machinery, Equipment, & Vehicles	Light Vehicles/Equipment	Autos, cruisers, vans, pick-ups, ambulances, rescue boats/trailers	6-10	
	Heavy Vehicles/Equipment	Fire apparatus, trailers, loaders, dump trucks	6-20	
	Computers & Electronics:	Office	Copiers	7
		Computers	Servers, Specialty printers, Desktop Computers	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
		Indoor Equipment	Counters, partitions, reference desks, wall storage units, mechanical shelving	15
		Outdoor Equipment	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 under \$50,000	10	
	Other Infrastructure	Bridges, culverts, fire hydrants, storm drains	50	
	Construction in Progress	Infrastructure or buildings	None	

Section 4 Depreciation Examples

Example 1: A copier was purchased in July 2021 for \$5,000 (estimated life for this example is 5 years). Depreciation per year is calculated at \$1,000 per year (\$5,000 cost divided by 5 year life), however the first year of service is depreciated at half the total annual amount. (See Section 3.2 – New Assets)

Year	Fiscal Year	Depreciation Expense	Accumulated Depreciation
1	2021	\$500	\$500
2	2022	\$1,000	\$1,500
3	2023	\$1,000	\$2,500
4	2024	\$1,000	\$3,500
5	2025	\$1,000	\$4,500
6	2026	\$500	\$5,000
7	2027	\$0	\$5,000
through disposal year	through disposal year		(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.

Example 2: For assets disposed of before their useful life is reached, the current net book value will be written off as a loss. Assume that in the example above, the copier was disposed of sometime during 2026.

Year	Fiscal Year	Depreciation Expense	Accumulated Depreciation
1	2021	\$500	\$500
2	2022	\$1,000	\$1,500
3	2023	\$1,000	\$2,500
4	2024	\$1,000	\$3,500
5	2025	\$1,000	\$4,500
6	2026	\$0	\$5,000
			(asset carried at \$0 value and remaining depreciation of \$500 recorded as loss)
7	2027	\$0	no longer on asset list

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 head 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 Capital Asset Change Form for the acquisition, transfer, and disposal of all Capital Assets. Copy of form attached.

This Administrative Rule will take effect on XX/XX/XXXX and will be revised as necessary.