

Town of Vinalhaven, Maine

Asset Capitalization Policy

This Policy is adopted to establish procedures for keeping an inventory of fixed assets owned by the Town of Vinalhaven. It results from and is intended to implement the Governmental Accounting Standards Board Statement #34 (GASB 34).

GASB 34 states that capital assets should be reported at historical cost. The cost of a capital asset should include any charges necessary to put the asset into place. Donated capital assets should be reported at their estimated fair value at the date of donation. Capital assets include moveable property (furniture & fixtures, machinery & equipment, automobiles, etc.), land, land improvements, buildings, building improvements, leasehold improvements, infrastructure, historical treasures & works of art, and all other tangible or intangible assets that are used in operations that have initial useful lives of two years or more.

Definitions: Assets, which meet the following minimum standards, will be considered capital assets:

- Having a value of \$5,000 or more. This requirement can be for an individual item in excess of \$5,000 or for a "collection" such as a telephone system or computer network system.
- Having an estimated useful life of two years or more.
- Major asset categories will be building and improvement, land and improvements, machinery and equipment, vehicles, and infrastructure.

Capitalization Method: All capital assets will be recorded at historical cost as of the date acquired or constructed, except for infrastructure, which is discussed on the next page. If historical cost information is not available, assets will be recorded at the estimated historical cost by calculating current replacement cost and deflating the cost using the appropriate price-level index.

New Acquisitions: The Town will capitalize new assets that meet its Capitalization Policy as stated above. Following the receipt of the item(s) that meet the criteria stated above, the value should be noted by the Department Head and Town Manager for inclusion in the asset database. Additions, improvements, repairs, or replacements to existing capital assets are not considered new acquisitions and are discussed below.

Extraordinary Repairs or Improvements: The Town will capitalize outlays that increase future benefits from an existing capital asset beyond its previously assessed value or condition if they meet the Town's Capitalization Policy as stated above.

Useful Lives for Capital Assets:

Moveable Property	Useful Life
• Office furniture & fixtures	10
• Computers & peripheral equipment	5
• Computer software	3

• Office machinery & equipment	6
• Automobiles	5
• High Mileage Automobiles	3
• Light general purpose trucks (<13,000 lbs.)	5
• Heavy general purpose trucks (13,000 lbs. or more)	6
• Trailers and trailer mounted containers	6
• Over-the-road tractor units	4
• Construction Equipment	6
• Telephone central office equipment	18

Buildings and Improvements

• Buildings and improvements	40
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Depreciable Land Improvements

• Land Improvements such as sidewalks, paths and trails, sprinkler systems, fences & gates, landscaping, fountains, and beaches that are not considered infrastructure.	20
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Infrastructure

• Highways, roads, bridges, sidewalks, curbs, gutters, drainage systems, seawalls, boat ramps, boat docks, piers, wharfs, airport runways and taxiways.	40
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Depreciation Method:

For simplicity and consistency, the straight-line depreciation method (cost divided by useful life) will be used for depreciation of all depreciable capital assets. In addition, it will be assumed that the capital assets will have no salvage value. A full year of depreciation will be taken in the year assets are placed in service or disposed of. Regardless of the actual date an asset is placed into service, the asset is treated as being placed into service at the beginning of the fiscal year, allowing a full year's depreciation in the year of acquisition. Regardless of the actual date an asset is disposed of, the asset is treated as being disposed of at the end of the fiscal year, allowing a full year's depreciation in the year of disposal.

Infrastructure Reporting:

The Town of Vinalhaven will prospectively report newly acquired or constructed infrastructure assets in the statement of net assets in the period the asset is acquired or constructed beginning with the fiscal year ending June 30, 2004.

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Board of Selectmen

Adopted June 7, 2004