Town of Hooksett
35 Main Street
Hooksett, NH 03106

CAPITAL ASSETS AND DEPRECIATION POLICY

Section 1. Purpose

The Town of Hooksett, NH has implemented the financial reporting provision of Government Accounting Standards Board (GASB) Statement No. 34 which required the Town to identify, categorize and account for long-term assets on our annual financial statements. This policy seeks to determine capitalization thresholds and valuation; asset classes; depreciation and useful lives; and describe the procedures for identifying asset addition and deletions. This policy is to provide control of and accountability for the Town's capitalized assets, ensuring all recorded assets are classified properly, accurately, systematically, and consistently.

Section 2. Capitalization Thresholds and Valuation

Capitalization is a financial reporting concept. Capital assets are tangible property belonging to the Town of Hooksett that are valued at more than $20,000 and having a useful life of greater than one years.

Capital assets should be recorded at the actual purchase price including any ancillary costs. Ancillary costs include transportation charges, installation costs, and other expenditures necessary to place the asset into its intended uses (not including engineering costs).

Donated assets should be recorded at their acquisition value.

Capital leases on equipment will be inventoried and capitalized if the asset is retained/owned by the town at the end of the lease contract.

Assets that are consumed, used-up, habitually lost or worn-out in one year or less should not be capitalized.

Lease assets should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the asset.

Section 3. Asset Classes

**Land**: Expenditures for the purchase of land. This includes closing costs, appraisals, and purchase of rights-of-way and/or site preparation.

**Land Improvements**: 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, sidewalks, monuments, fences, area lighting of streets and parking lots, retaining walls, and athletic track and fields. Asset cost could include costs of architectural and consulting fees for new or renovated improvements.

**Buildings and Improvements:** Expenditures for contracted construction of new buildings, improvements to existing buildings or acquiring of existing buildings. This also includes the cost of demolition. Improvements includes major permanent structural alterations, roof replacements, interior or exterior renovations that increase the service utility of the building or to extend its total estimated useful life.

**Vehicles and Equipment:** Expenditures for equipment usually composed of a complex combination of parts, excluding vehicles. Examples include firefighting equipment (SCBA, ladders, hose, etc.), medical & lab equipment, recreational and athletic equipment, traffic control equipment, generators, lathes and drill presses.

**Infrastructure:** Expenditures for construction of, or major renovation to infrastructure, including roadways, bridges, water, sewer, and drainage systems, or dams. This also includes the cost of demolition. It does not include any buildings or equipment related to these systems.

**Construction in Progress:** This is a long term asset account that accumulates the cost of a project that has not yet been placed into service. When the project is substantially completed and ready to be placed into the service, the cost is removed from this account and is recorded as an asset.

**Section 4. Depreciation and Useful Life**

**Depreciation Method:** The apportioned cost of a capital asset over its useful life. Straight-line method will be used when calculating depreciation, taking into consideration salvage value at the end of the asset’s useful life.

Land and Construction in Progress are not depreciated.

The policy for recording depreciation on capital assets is to take one half of a full year’s depreciation in the fiscal year in which the asset is placed in service, regardless of when it was actually placed in service during the year.

**Useful Life:** The following table reflects the useful lives of the various categories of capital assets.

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples</th>
<th>Maximum Depreciable Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Improvements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground work</td>
<td>landscaping, athletic fields</td>
<td>20</td>
</tr>
<tr>
<td>Structural</td>
<td>parking lots, Sidewalks, fences, track</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>retaining walls</td>
<td>20</td>
</tr>
<tr>
<td>Other</td>
<td>area and street lighting</td>
<td>15</td>
</tr>
</tbody>
</table>

**Buildings and Improvements**
Permanent Building 40  
Temporary Building 20  
HVAC 20  
Elevators 20  
Power Generations 15  
Wastewater treatment systems 24  

Vehicles and Equipment  
Business 10  
Firefighting 10  
Firefighting boat, generator, gator 8  
Trailers Police, Fire 8  
Lab 10  
Kitchen appliances 15  
Traffic control stoplights 10  
Recreational weight machines, mats, treadmills 10  
Custodial floor scrubber, vacuums 15  
Medical Defibrillator, Stretcher 5  
Outdoor playground equipment, scoreboards, bleachers radio towers 15  
Shop lathes, drill presses 15  
Vehicles autos, van, pickups, ambulance light tractors, mowing equipment 8  
busses, dump trucks, backhoes 8  
Fire Apparatus 15  
Furniture office equipment 10  
Carpeting 7  
Fixtures counters, partitions 15  
Computers CPU 5  
Communication 10  
Books Library books 5  

Infrastructure  
Asphalt Roads 20  
Concrete Roads 30  
Bridges vehicle, pedestrian 50  

Section 5. Identifying Asset Additions and Deletions  

Additions: Department heads are responsible for purchase of their department’s capital assets. They will comply with the Town of Hooksett Administrative Code #5. Department heads or his/her designee will notify the Finance Department of new assets utilizing the “Asset Addition” form. Annually Finance will review in detail the general ledger for capital assets.
**Deletions:** Department heads are responsible for notifying the Finance Department of asset dispositions, using the “Asset Transfer and Deletion” form.

**Write-off:** Assets will be written off the books, along with its accumulated depreciation, when the asset is no longer in use. Assets fully depreciated, but still in use, will remain on the books.

Capital assets will be tracked by the Finance Department and audited by the external auditors each fiscal year end.

### Section 6. Definitions

**Accumulated depreciation:** The cumulative amount of depreciation recorded during the life of the asset. This amount decreases the book value of the capital asset.

**Book value:** The initial cost of a capital asset less accumulation depreciation.

**Capital asset:** Tangible and intangible assets that are used in operations and that have useful lives extending beyond a single reporting period and an initial cost equal to or greater than the capitalization threshold.

**Capitalize:** To record capital outlay as additions to asset accounts and reflected on the balance sheet, not as expenses.

**Capitalization threshold:** The dollar value at which assets are no longer expensed, but instead reflected as assets on the balance sheet.

**Depreciation:** The appointment of the cost of a capital asset expensed over the years of its estimated service life. Depreciation is a non-cash accounting transaction.

**Lease:** An agreement that between two parties that conveys control of the right to use a nonfinancial asset for a specific period of time in an exchange or exchange like transaction. Example of nonfinancial assets include building, land, vehicles, and equipment.

**Salvage (Residual) value:** The amount remaining after all allowable depreciation charges have been subtracted from the original cost of a depreciable asset.

**Useful life:** The estimated period of time during which a capital asset is expected to be in operation and depreciated.

**Write-off:** To remove an asset value, including accumulated depreciation, from the asset account found on the balance sheet due to disposal or loss of an asset or if deemed worthless.

### Section 7. Policy Approval/Amendments
Town Council approved adoption of the Town of Hooksett’s Fixed Asset/Capital Asset and Depreciation policy at their June 28, 2006 meeting.

Town Council amended the Town of Hooksett’s Capital Asset and Depreciation policy at their August 28, 2019 meeting.