

# TOWN OF STAMFORD, VERMONT

— Chartered 1753 —

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## CAPITALIZATION POLICY

### I. PURPOSE

The purpose is to establish a policy by which fixed assets will be capitalized. The investment in property, plant, and buildings comprises a substantial portion of the Town's assets; therefore, it is important to provide centralized documentation for insurance purposes, to meet financial reporting needs, and to generate asset management information for all such items.

### II. DEFINITIONS

Capital Assets – Property owned by the Town with a useful life in excess of five years and an acquisition cost that exceeds the capitalization threshold. Estimated fair value shall be used instead of acquisition cost if acquired by means other than purchase; such as gift, bequest, or otherwise legally acquired.

Acquisition Cost – In addition to invoice price, any associated direct or indirect costs which are required to put the asset into operation. These costs may include freight, installation, electrical, labor, registration fees, consulting costs, etc.

#### Asset Categories

- Office Furniture, Fixtures, and Equipment – Including but not limited to computers, computer equipment, software, copiers, other office equipment, office furniture.
- Land – All tracts of land.
- Land Improvements – Including but not limited to fencing, landscaping, any project that prepares land for its intended use.
- Heavy Equipment and Vehicles – Including but not limited to police cruisers, fire trucks, backhoes, tractors, sweepers, dump trucks, other motorized equipment.
- Buildings – All buildings and structures, including all permanently attached fixtures.

- Building Improvements – Including but not limited to HVAC, roofing, carpeting, electrical, plumbing.
- Improvements Other Than Buildings – Items not easily categorized into Land Improvements or Building Improvements.
- Infrastructure – Including but not limited to roads, sidewalks, drainage systems, water or sewer systems.
- Machinery and Equipment – Including but not limited to custodial equipment, firefighting equipment, recreation equipment, pumps, meters, non-motorized construction equipment, kitchen appliances.

Refurbishment – Repairs, rebuilding, alterations or modifications to an existing asset that results in a change in function, significant increase in value, or significant extension of useful life.

### III. PROCEDURE

Items determined to be capital assets shall be recorded in the asset tracking system at acquisition cost, or estimated fair value if appropriate.

Assets will be depreciated using the straight line method and half year convention over their useful lives as detailed below. The useful life of an asset may be no less than the listed minimum life, but may be greater as deemed appropriate by person(s) knowledgeable of the particular item.


Refurbishments may be capitalized if they exceed the capitalization threshold and there is a significant increase of useful life. The guideline of extending the useful life by 50% of the original useful life may be applied in most situations. Repairs and routine maintenance shall be expensed if they do not change the function of the asset, do not significantly extend the useful life or do not significantly increase the value.

Groups of assets purchased in a single transaction where individual items are less than the capitalization threshold, but exceed the threshold when viewed as a group, may be capitalized if the total acquisition cost exceeds the capitalization threshold. (e.g. folding chairs, mobile radios, etc.)

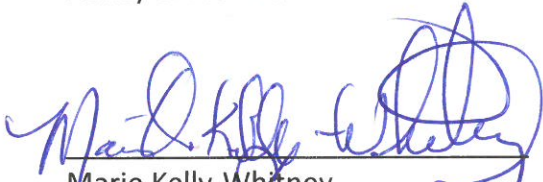
CAPITALIZATION THRESHOLDS AND MINIMUM USEFUL LIVES

Asset Category	Capitalization Threshold	Min. Life (Years)	Examples
Office Furniture, Fixtures, & Equipment	\$ 1,000.00	5	computer, desk, printer, kitchen appliance, software, etc.
Land	\$10,000.00	N/A	
Land Improvements	\$15,000.00	10	fence, parking lot, any project that prepares land for intended use
Heavy Equipment & Vehicles	\$15,000.00	5	police cruiser, firetruck, backhoe, sweeper, grader, dump truck, excavator, etc.
Buildings	\$15,000.00	30	
Building Improvements	\$ 7,500.00	10	HVAC, roofing, carpeting, electrical, plumbing, etc.
Improvements Other Than Building	\$ 7,500.00	10	street re-design/beautification, etc.
Infrastructure	\$20,000.00	10	new road, road rebuild, sidewalk, drainage system, water or sewer system, etc.
Machinery & Equipment	\$ 5,000.00	5	recreation equipment, custodial equipment, pump, jackhammer, saw, tank, etc.

Dated: June 15, 2023

  
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STAMFORD SELECTBOARD