

Town of China

FIXED ASSET CAPITALIZATION POLICY

The Town of China will regard fixed assets as capitalized when all of the following criteria are met:

- (1) Assets purchased, built, or leased have useful lives of one year or more.
- (2) The cost of the asset (including installation) is \$3,000 or more multiple assets whose cost is less than \$3,000 but the aggregate requestor total is \$3,000 or more are capitalized.
- (3) The cost of repairing or renovating the asset is \$3,000 or more and prolongs the life of the asset.

The Town of China will regard the purchase software programs as fixed assets subject to the above capitalization policy and will amortize over an estimated useful life of 3 years. Costs associated with software maintenance and customer support are considered expenditures and will not be capitalized.

Other Considerations:

- (1) REPAIR is an expenditure that keeps the property in ordinary efficient operating condition. The cost of the repair does not add to the value or prolong the life of the asset. All repair expenditures are charged to the appropriate department and fund.
- (2) IMPROVEMENTS are expenditures for additions, alterations and renovations that appreciably prolong the life of the asset, materially increase its value, or adapt it to a different use. Improvements of the nature are capitalized.

Examples of Repairs vs. Improvements

Repairs = Expenditures

- All items—life less than one-year
- All items under \$3,000
- Property maintenance, wall repair
- Replacement of machine parts to keep machine in normal operating condition
- Property restoration (rebuilding) for normal operations
- Existing building repairs
- Replacement of small sections of wiring, pipes or light fixtures
- Patching walls, minor repair of floors, painting, etc.
- Patching driveways
- Cleaning drapery, carpet, furniture

Improvements = Capitalized Assets

- Life of more than one year
- All items \$3,000 or more
- Property rebuilding
- Replacement of motor and parts that prolong the useful life
- Property restoration for something different or better
- Building regulation conformity
- Major replacement of wiring, lighting, pipes or sewer
- Installation of floor, wall, roof, wall-covering, etc.
- New driveway or major repair
- New drapery, carpets, furniture

Depreciation Method—Straight Line over the following useful lives:

Buildings	40-60 years
Building Improvement	15-30 years
Water and Sewer Lines	50-75 years
Roads	10-30 years
Infrastructure	50 years
Vehicles	3-5 years
Office Equipment	3-5 years
Computer Equipment	3-5 years

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