

Item #143-2008

Approved by the Town Council November 10, 2008

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Town of Cape Elizabeth

Fixed Asset Policy

This policy establishes the minimum cost value (capitalization amount) that shall be used to determine the capital assets, including infrastructure assets that are to be recorded in Town of Cape Elizabeth's annual financial statements in order to comply with the requirements of GASB Statement No. 34.

This policy also addresses other considerations for recording and depreciating fixed assets in order to comply with the provisions of GASB Statement No. 34.

Capital Asset definition

Capital assets are defined as tangible and intangible assets that have initial useful lives that extend beyond a single reporting period.

Capitalization method

All capital assets are recorded at historical cost as of the date acquired or constructed. If historical cost information is not available, assets are recorded at estimated historical cost by calculating current replacement cost and deflating the cost using the appropriate price-level index.

Capitalization thresholds

The Town establishes the following minimum capitalization thresholds for capitalizing fixed assets:

Land and improvements	\$25,000
Buildings and improvements	\$50,000
Machinery/equipment/vehicles	\$5,000
Infrastructure	\$150,000

Detailed records shall be maintained for all fixed assets above the established thresholds.

Infrastructure assets

In accordance with GASB Statement 34, the Town records, at a minimum, "major" infrastructure assets as defined in Statement 34 that were acquired, constructed or significantly reconstructed, or that received significant improvements after June 30, 1980. Other infrastructure assets may be capitalized as deemed appropriate. The Town does not use the "modified approach" to record infrastructure.

Other assets

Detailed records are maintained at the discretion of the town manager for all items below the capitalization thresholds that should be safeguarded from loss. These items are part of the annual physical inventory discussed below. These items include firearms and computer equipment that fall below the established thresholds and any other assets specified by the town manager.

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Depreciation and useful life

The town manager will assign an estimated useful life to all assets for the purposes of recording depreciation. The attached "Suggested Useful Lives" schedule is used to establish lives for most assets. Asset lives will be adjusted as necessary depending on the present condition and use of the asset and based on how long the asset is expected to meet current service demands. Adjustments should be properly documented. Depreciation is recorded based on the straight line method using actual month convention and depreciated down to the assets salvage value.

Safeguarding and controlling fixed assets

All machinery and equipment, vehicles and furniture is assigned an asset number and identified with a fixed asset tag. As fixed assets are purchased or disposed of, the department head in custody of that asset is responsible for preparing a fixed asset data sheet, which is then forwarded to the business office to ensure proper recording. A physical inventory will be taken annually on or about June 30 and compared to the physical inventory records. The results are forwarded to the business office where appropriate adjustments will be made to the fixed asset records.