

**TOWN OF BUCKFIELD, MAINE
CAPITALIZATION AND DEPRECIATION OF CAPITAL ASSETS
GASB 34 GUIDE**

SECTION 1: BACKGROUND

The following information is provided as guidance for the capitalization and depreciation of capital assets to comply with the requirements of GASB Statement 34, *Basic Financial Statement of Management's Discussion and Analysis for State and Local Governments*. This new statement requires reporting of capital assets and depreciation in the government-wide financial statements. This guide includes, capital assets categories and descriptions, definitions, capitalization threshold levels, useful lives, and the chosen method of depreciation and is only intended to provide some high level guidance and awareness of the decisions that have been made on these topics

GASB 34 states that capital assets should be reported at acquisition cost. The acquisition cost of a capital asset should include any charges necessary to put the asset into place such as the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the asset operable as well as the cost of installation and transportation/delivery of the asset. 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, infrastructure, historical treasurers & works of art, and all other tangible or intangible assets that are used in operations that have initial useful lives beyond a single reporting period.

SECTION 2: QUICK FACTS

A. Capitalization threshold levels and useful lives for capital assets are as follows:

<u>CAPITAL ASSET</u>	<u>THRESHOLD</u>	<u>USEFUL LIFE</u>
Movable Property (not including computer software).....	\$5,000.00	Varies – See Section 4
Computer Software.....	\$5,000.00	3 years
Buildings	\$5,000.00	40 years
Building Improvements	\$5,000.00	40 years
Land & Non-Depreciable Land Improvements.....	\$5,000.00	Inexhaustible
Depreciable Land Improvements.....	\$5,000.00	20 years
Infrastructure.....	\$5,000.00	40 years
Historical Treasurer & Works of Art.....	\$5,000.00	Inexhaustible

- B. The straight-line method will be used for depreciation of all depreciable capital assets.
- C. A full year of depreciation will be taken for the year assets are placed in service or disposed of.
- D. No salvage value will be included in the depreciation calculation.
- E. The thresholds noted above are to be applied to individual assets, rather than networks or subsystems of similar assets.
- F. For items of movable property not readily includable in any sub-category listed in Section 4 below, useful life will be determined based on all relevant facts.

SECTION 3: IDENTIFYING THE DIFFERENT CATEGORIES AND CLASSES OF CAPITAL ASSETS

- A. **Movable Property** consists of those capital assets that are not fixed or stationary in nature. They are those assets that are not land, land improvements, buildings, building improvements, or infrastructure. In general, movable property includes furniture & fixtures, machinery & equipment, and automobiles. For more detailed examples of movable property, see the table of capital assets and useful lives in Section 4 below.
- B. **Buildings** are permanent structures erected above ground, together with fixtures attached to and forming a permanent part of the building, for the purpose of sheltering persons or personal property. The cost of buildings include all labor, materials, and professional services required to construct the building, and any other costs to put the building into its' intended use.
- C. **Building Improvements** are major repairs, renovations, or additions to a building that increase the future service potential of the building and benefit future periods. The building and the improvements become one and are inseparable. Examples of building improvements include major repairs, renovations, or additions such as addition of a new wing or a new air conditioning system.
- D. **Land** is an inexhaustible asset that has an unlimited life and therefore is not depreciated.
- E. **Land Improvements** are those betterments, improvements, and site preparations that ready land for its intended use. Like the land itself, these improvements are inexhaustible and therefore not depreciated. Some examples of land improvements would be excavation, filling, grading, demolition of existing buildings, and removal or relocation of other property (telephone or power lines).
- F. **Depreciable Land Improvements** are defined as improvements made to land that have determinable estimated useful lives and deteriorate with use or passage of time. These improvements are built or installed to enhance or facilitate the use of the land for a particular purpose. Depreciable land improvements may include walking paths and trails, fences and gates, and landscaping. These are unlike non-depreciable land improvements and land since the useful life of the improvement is determinable.
- G. **Infrastructure** is defined as long-lived capital assets associated with governmental activities that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, drainable systems, dams, and lighting systems. Although these assets are long-lived, useful lives are assigned to these assets and they are depreciated. The Town has chosen to report new infrastructure beginning July 1, 2003, and to not report any retroactive infrastructure capitalization prior to that date.
- H. **Historical Treasures & Works of Art** are items which are considered inexhaustible and held for public exhibition, educational purposes, or research in enhancement of public service instead of financial gain. Examples are paintings, sculptures, photography, maps, manuscripts, musical instruments, recordings, film, furnishings, artifacts, tools, weapons, and other memorabilia. General, collections of historical treasures and works of art will be considered inexhaustible, and would therefore not be depreciated. However, special rules apply for the capitalization of these assets.

SECTION 4: CLASSES OF CAPITAL ASSETS AND THEIR USEFUL LIVES

Movable Property - Office Furniture (Examples: desks, file cabinets, safes).....	10 years
Movable Property - Computers & Peripheral Equipment (Examples: hard drives, printers, monitors, keyboards, scanners, disc drives).....	5 years
Movable Property - Computer Software.....	5 years
Movable Property - Office Machinery & Equipment (Examples: typewriters, calculators, adding machines, photo copiers, printers).....	6 years
Movable Property - Automobiles.....	5 years
Movable Property - Light General Purpose Trucks (<13,000 lbs).....	7 years
Movable Property - Heavy General Purpose Trucks (>13,001 lbs).....	15 years
Movable Property - Trailers & Trailer Mounted Containers.....	10 years
Movable Property - Construction Equipment.....	15 years
Movable Property - Television Broadcasting Equipment (excluding towers).....	6 years
Building and Improvements.....	40 years
Depreciable Land Improvements – Land improvements that are not depreciable. (Examples: sidewalks, paths & trails, fences & gates, landscaping)....	20 years
Infrastructure – (Examples: highways, roads, bridges, sidewalks, curbs, street signage, drainage systems, lighting systems, dams, boat ramps, and towers).....	40 years

SECTION 5: METHOD OF DEPRECIATION

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.

SECTION 6: ENACTMENT

The Buckfield Board of Selectmen enacted this document titled Capitalization and Depreciation of Capital Assets GASB 34 Guide at a duly called Meeting on December 16, 2014 and by doing so repeal any and all previously adopted documents with the same title.