



TOWN OF CASCO

Capitalization Policy

Section 1. Purpose: The purpose of this policy is to establish the minimum cost value (Capitalization amount) that require the *disclosure* of a capitalization policy, or a statement to define a capital asset within the organization. In other words, a policy stating what dollar value and 'life' of an asset is required to be considered a 'capital asset' within the organization.

Section 2. Reasoning:

In some cases, a capitalization policy can be a relatively simple statement. In others, the statement might include different capital 'thresholds' or dollar values for different types of assets, subsystems, networks or collections, and may include asset management and maintenance procedures to meet the standards required for the alternative 'modified approach' under Generally Accepted Accounting Principles (GAAP) for reporting eligible infrastructure assets. In addition, there may be supplemental policies pertaining to capital assets for management purposes, or to comply with other state or local regulations. The Town's capitalization policy has been provided and adopted by the Casco Selectboard.

As noted, the GAAP provides only a broad definition of capital asset as "...tangible or intangible assets that are used in operations and have initial *useful lives extending beyond a single reporting period.*" "Examples of the Town's capital assets include the following:

- Land and Improvements to Land
- Easements
- Buildings and Building Improvements
- Vehicles
- Machinery and Equipment
- Infrastructure"

Section 3. Definitions:

Acquisition Cost – the net invoice price of the equipment including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment operable. Other charges such as the cost of installation, transportation, taxes, duty or protective in-transit insurance, shall be included in determining the acquisition cost.

Capital Equipment – tangible personal property having a useful life of one year or more and an acquisition cost of \$5,000 or more per unit.

TOWN OF CASCO

Capitalization Policy

Section 4. Capitalization Thresholds:

- All land (including ancillary costs)
- Roads, parking lots and bridges owned by the Town
- Infrastructure other than item listed above with a cost of \$5,000 or greater
- All other capital assets acquired with a unit cost (including ancillary costs) of \$5,000 or greater, or collections with a total cost of \$5,000 or greater, unless otherwise noted.
- All personal computer system packages valued at \$5,000 or more are to be recorded on the equipment inventory. PC system packages consist of a central processing unit (CPU), system software, and all accessories necessary to make the property operable. The value of computer monitors purchased with PC systems should be capitalized as part of the PC system.

Section 5. Practices:

- A. New acquisitions** – Capitalize new assets that meet the Town’s capitalization policy as stated above. Additions, improvements, repairs, or replacements to existing capital assets are not considered new acquisitions and are discussed below.
- B. Additions** – Capitalize expansions of or extensions to an existing capital asset that meet the Town’s capitalization policy above.
- C. Extraordinary repairs, betterments, or improvements** - Capitalize outlays that increase future benefits from an existing capital asset beyond its previously assessed standard of performance if they meet the state’s capitalization policy as stated above. Increased future benefits typically include:
 - An extension in the estimated useful life of the asset.
 - An increase in the capacity or efficiency of an existing capital asset.
 - A substantial improvement in the quality of output or a reduction in previously assessed operating costs.
- D. Bulk Purchase** – For proprietary fund type accounts, bulk purchases of like capital assets with unit costs of less than \$5,000 may be capitalized as a group where the allocation of costs for the bulk assets over time is matched to the corresponding revenue generated by the bulk assets.
- E. Collection** – Capitalize Art Collections, Library Reserve Collections, and Museum and Historical Collections, when the conditions are not met Town’s meeting these conditions have the option of capitalizing their collections

Section 6. Miscellaneous:

For capital assets acquired by and used in the operations of governmental fund type accounts, the value of the assets in the General Capital Assets Account has been recorded.

TOWN OF CASCO

Capitalization Policy




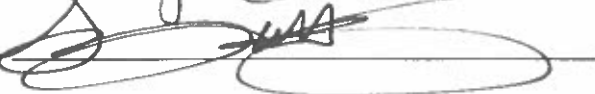
It is the position of the Town that it has no proprietary and trust fund type accounts.

Although small and attractive assets do not meet the Town's capitalization policy above, they are considered capital assets for purposes of marking and identifying capital assets, inventory records requirements and physical inventory counts.

Close out Construction in Progress and capitalize the costs into the appropriate asset classification when a project is substantially complete, accepted and placed into service.

Adopted this 3rd day of August, 2021.

Approved by Casco Selectboard:

	Mary-Vienessa Fernandes
	Robert MacDonald
	Holly Hancock
	Scott Avery

