Town of Troy
Capital Assets and Depreciation Policy

Every capital asset has limited useful service life that spans more than one year. These are categorized as Land, Land Improvements, Buildings, Building Improvements, Construction In Progress, Fixed Equipment, Movable Equipment and Vehicles. The Town will identify and record assets in its accounting records. It will determine depreciation based on the historical acquisition costs of the assets or the *'fair value'* of donated assets and utilize a straight-line method of depreciation over the estimated useful life of the asset.

Definitions for Capital Outlay Expenditure Object Codes:

Land: Expenditures for the purchase of land. This includes closing costs, appraisals, and purchase of rights-of-way and/or site preparation.

Land Improvements: Expenditures for acquiring improvements to land (not associated with building) intended to make the land ready for its purpose. These assets include, but are not limited to, landscaping, property drainage, driveways, parking lots, sidewalks, monuments, fences, area lighting of streets and parking lots, driveways, fences, retaining walls, and athletic tracks and fields. Asset cost could include costs of architectural and consulting fees for new or renovated improvements.

Buildings: Expenditures for contracted construction of new buildings, additions to or acquiring of existing buildings. This also includes the cost of demolition. Initial cost of major building equipment components or furniture and fixtures should use other appropriate code.

Building Improvements: Expenditures for improvements to existing buildings. This includes major permanent structural alterations, roof replacements, interior or exterior renovations, fire protection systems installation or upgrade, electrical and plumbing upgrades, heating, ventilation and air conditioning systems (HVAC), elevators, power generation, and other service systems of buildings.

Machinery and Equipment: Expenditures for equipment usually composed of a complex combination of parts, excluding vehicles.

Vehicles: Expenditures for vehicles used to transport persons, objects or large quantities used in construction. Examples include police cruisers, pick-up trucks, ambulances, fire apparatus, dump trucks, backhoes, graders, etc., including the installation of any related equipment.

Furniture and Fixtures: Expenditures for initial replacement of additional furnishings and fixtures used in business/office facilities, including purchases of carpeting, desks, chairs, bookcases, counters, etc.

Series – Infrastructure: Expenditures for construction of, or major renovation to infrastructure, including roadways and bridges. This also includes the cost of demolition. It does not include any buildings or equipment related to these systems.

Roadways: Expenditures for construction of, or major renovation to roadways including the cost of development roads once accepted by the Town as Class V roads. This excludes shim and overlay expenditures, as well as maintenance items such as crack sealant.

Bridges: Expenditures for construction of, or major renovation to bridges. This includes pedestrian as well as vehicular bridges.

Depreciation Expense: The apportioned cost of a fixed asset over its useful life.

The following table depicts the balance sheet and expenditure object codes of capital asset items, the dollar level at which the items will be inventoried and capitalized and whether the item is depreciated.

Table 1.

Classification	Inventory	Capitalize	Depreciate
Land	All	All	No
Land Improvements	$1,000	$10,000	Yes
Buildings	$1,000	$10,000	Yes
Building Improvements	$1,000	$10,000	Yes
Building Systems	$1,000	$10,000	Yes
Construction in Progress	$1,000	$10,000	Yes
Machinery & Equipment	$1,000	$10,000	Yes
Vehicles	$1,000	$10,000	Yes
Furniture and Fixtures	$1,000	$10,000	Yes
Infrastructure	$1,000	$10,000	Yes
Intangibles	DNI	DNC	NO
Technology Hardware	$1,000	DNC	No

Depreciation:

The straight-line method of depreciation is used to calculate depreciation. The Town may take into consideration salvage value at the end of an asset's useful life. Grouped assets will not be assigned a salvage value.

The policy for recording depreciation on capital assets is to take one half of a full year's depreciation in the calendar year in which the asset is placed in service, regardless of when it was actually placed in service during the year.

The following table reflects the useful lives of the various categories of capital assets for municipal government.

Table 2.

Category	Examples	Years
Land		None
Land Improvements		
Ground Work	Landscaping	20
Structural	Fencing, Parking Lot, Retaining Walls	20
	Cisterns, Drafting Pits	
Other	Area and Street Lighting	15
Buildings		
Permanent		40
Temporary		20
Building Improvements		40
Building Systems		
HVAC		20
Power Generation		15
Machinery and Equipment		
Light Vehicles	Police Cruisers, Trucks (<= GVRW 16,000lbs.)	3 - 5
Heavy Vehicles	Trucks (> GVRW 16,001lbs.)	10
Construction Equipment	Excavator, Frontend Loader, Backhoe	15
Fire/Rescue Vehicles	Engine, Pumper, Ambulance	25
Furniture and Fixtures		20
Office Fixtures	Counters, Cabinets, Desks, Tables, Chairs	20
Carpeting		7
Roadways		
Asphalt		10
Gravel		15
Bridges	Vehicle, Pedestrian	50
Construction In Progress		None

Establishing and Setting the Threshold Levels for Recording Capital Assets:

Estimated Useful Life – The first criterion is useful life. An asset must have an estimated useful life greater than one reporting period to be considered for capitalization and depreciation. Assets that are consumed, used-up, habitually lost or worn-out in one year or less should not be capitalized.

Estimated useful life means the estimated number of months or years that an asset will be able to be used for the purpose for which it was purchased. In determining useful life, governmental entities should consider the asset's present condition, use of the asset, construction type, maintenance policy, and how long it is expected to meet service demands.

Asset Cost – The second criterion for determining depreciable capital assets is cost. Governmental entities do not need to capitalize every asset with a useful life greater than one year.

Write Off of Capital Assets:

Assets will be written off the books, along with its accumulated depreciation, when the asset is no longer in use. Assets fully depreciated, but still in use, will remain on the books. Certain assets that are capitalized and depreciated as a group will be written off the year it becomes fully depreciated.

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