

Resolution 4/21/20C (2020)

Adopt a Capitalized Fixed Asset Financial Policy/Procedure


WHEREAS, Wis. Stats. 60.40 allows the Town to develop, accept and preserve the Town financial management process by the preparation and adoption of a Town budget;


NOW, THEREFORE, BE IT RESOLVED, the Town Board accept the attached "Capitalized Fixed Assets" Financial Policy/Procedure as printed.


WHEREAS, the Town of Farmington approves this resolution of establishing a Capitalized Fixed Assets policy/procedure. This resolution can be re-visited and modified as referenced to "revisiting every three years or sooner" on attachment.

Adopted: April 21, 2020

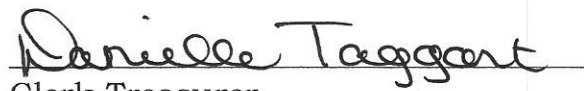
Approved by a vote of 3 yes 0 no


Chair


Supervisor I


Supervisor II

ATTEST:


Clerk-Treasurer

**TOWN OF FARMINGTON
FINANCIAL POLICY**

SUBJECT: CAPITALIZED FIXED ASSETS POLICY

General: To establish a general policy for Capitalized Fixed Assets including standards for valuation of assets with a useful life greater than one-year.

Objectives:

- A. The Fixed Assets Listing shall include general fixed assets, i.e., non-infrastructure assets. Infrastructure assets are assets that are immovable and of value only to the Town government, e.g., buildings, sewers, and streets. As a general rule, "capitalized" items maintained within the Fixed Assets Listing shall have an expected useful life greater than one year and a purchase, donated or assessed value equal to or greater than \$5,000. For computer equipment, initial operating software shall be included but subsequent operating software and application software shall be excluded.
- B. Generally repairs will not qualify for changing the initial capitalized value. Only major replacements of components and/or additions which significantly change the initial capitalized value or significantly extend the expected useful life of any capitalized item shall be considered in order to substantiate any subsequent year value change of an asset maintained within the Fixed Assets Listing.

Departments shall record long-term assets at historic cost or, if the cost is not readily determined, at estimated historic cost. Cost shall include applicable ancillary costs. All costs shall be documented, including methods and sources used to establish any estimated costs.

1. Purchased Assets – the recording of purchased assets shall be made on the basis of actual costs, including all ancillary costs, based on vendor invoice or other supporting documentation.
2. Salvage Value – the recording of purchased assets that are expected to be sold at retirement should be recorded with the historical estimated sale value if in excess of \$5,000.00. If sale value is less than \$5,000.00, normal depreciation for the useful life will be used.
3. Self-Constructed Assets – All direct costs (including labor) associated with the construction project shall be included in establishing a self-constructed asset valuation. If a department is unable to specifically identify all direct costs an estimate of the direct cost is acceptable, but must be supported by a reasonable methodology.
4. Donated Assets – Fixed assets acquired by gift, donation or payment of a nominal sum not reflective of the asset's market value shall be assigned cost equal to the fair market value at the time of acquisition.
5. Leased Property - Capital lease property should be recorded as an asset and depreciated as though it had been purchased.

6. **Dedicated Assets** – Required installation by Developer of public improvements, including but not limited to sanitary service mains, manholes, laterals and all appurtenances, water mains, laterals, hydrants, valves and all appurtenances, storm sewers, storm water management measures, streets, curb and gutter, street lights, street signs, sidewalks will be dedicated to the Town upon completion. Recording of infrastructure assets will be made on the basis of actual costs, including all ancillary costs, based on vendor invoice or other supporting documentation provided by the Developer.

7. **Inventory of Small Assets** – Departments are required to keep an up to date inventory of equipment valued under the capitalization threshold <\$5,000 of items which may be subject to misappropriation, i.e. computers, electric/gas powered tools, etc. The department should provide a copy annually to the Clerk-Treasurer to ensure levels of property insurance are adequate to cover building contents or to report missing items.

<u>Fixed Asset Category</u>	<u>Illustrative Items and Capitalization Threshold</u>
Furniture	Chairs, tables, bookcases, file cabinets or other furniture items which individually cost \$5,000 or more with an expected useful life greater than one year.
Office Equipment	Postage machine and copiers or other office equipment items that individually cost \$5,000 or more with an expected useful life greater than one year.
Computers and associated equipment	Large computers, personal computers (PCs), printers, copiers that individually cost \$5,000 or more with an expected useful life greater than one year.
Specialized Public Safety Equipment	Certain communications equipment, copiers that individually cost \$5,000 or more with an expected useful life greater than one year.
Motorized road equipment, i.e. cars, trucks, or ambulances	All permanent or semi-permanent attachments shall be included, e.g., snow plows, salt spreaders, etc.
Motorized non-road equipment, e.g., ditch diggers, air compressors	All equipment that individually cost \$5,000 or more with an expected useful life greater than one year.
Other non-motorized equipment not attached to or associated with motorized equipment	All equipment that individually cost \$5,000 or more with an expected useful life greater than one year.

This policy will be reviewed every three years following adoption or sooner at the discretion of the Town Board.