

VILLAGE OF MUKWONAGO CAPITALIZED FIXED ASSET POLICY

I. Background. To establish a general policy for Capitalized Fixed Assets including standards for valuation of assets with a useful life greater than two-years, ensuring a consistent method of recording these assets in the Village’s financial records, and the capitalization and depreciation of capital assets pursuant to current GASB 34 reporting requirements.

II. Asset Valuation

A. Long-term assets will be recorded 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 will be recorded based on vendor invoice or other supporting documentation.
2. Self-Constructed Assets will include all direct costs (including labor) associated with the construction project in establishing the 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.
3. Donated Assets acquired by gift, donation or payment of a nominal sum not reflective of the asset’s market value will be assigned cost equal to the fair market value at the time of acquisition.
4. Leased Property - Capital lease property will be recorded as an asset and depreciated as though it had been purchased.
5. 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, streetlights, street signs, sidewalks will be dedicated to the Village 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.
6. Shared Purchases – The recording of assets shared with other municipalities or entities shall be made based on the Village’s share of actual costs, including all ancillary costs, based on vendor invoice or other supporting documentation.

III. Ancillary Costs

Ancillary costs are to be included in the capitalized cost of a fixed asset. However, minor costs, not measurable at the time a fixed asset is recorded in the Village’s financial record, will be expensed.

Ancillary Costs include:

- a. Building and Improvements – Professional fees of architects, attorneys, appraisers, financial advisors, etc; damage claims; costs of fixtures permanently attached to a building or structure; insurance premiums, and related costs incurred during construction; and other expenditures necessary to place a building or structure into its intended state of operation.
- b. Equipment – Transportation charges, installation costs, and other normal and necessary expenditure required to place the asset into its intended state of operation.
- c. Land – Legal and title fees, surveying fees, appraisal and negotiation fees, damage payments, site preparation costs, and costs related to demolition of unwanted structures. This only applies to land purchased for Village use, not for development or redevelopment purposes.

IV. Asset Classification and Capitalization Thresholds

Capital assets include items with useful lives greater than 2 years, land, land improvements, buildings, building improvements, construction work in progress, machinery and equipment, vehicles, infrastructure, easements, and works of art and historical structures. A capital asset is to be reported and, with certain exceptions, depreciated in government-wide statements. Assets that are not capitalized are expended in the year of acquisition.

Infrastructure assets are long-lived assets that normally can be preserved for a significantly greater number of years than most capital assets and are stationary in nature. Examples include roads, bridges, tunnels, drainage systems, water systems and dams. Infrastructure assets do not include buildings, drives, parking lots or any other items incidental to property or access to the property.

Fixed Asset Category	Illustrative Items and Capitalization Threshold
Furniture	Chairs, tables, bookcases, file cabinets or other furniture items, which individually cost \$5,000 or more
Office Equipment	Postage machine and copiers/printers; or other office equipment items that individually cost \$5,000 or more
IT Equipment	Networks and IT infrastructure that individually cost \$5,000 or more
Specialized Public Safety Equipment	Certain communications equipment that individually cost \$5,000 or more
Infrastructure	Streets curb & gutter, public right-of-way, street light systems, bridges, storm sewers, sewer laterals, culverts, and water mains that individually cost \$25,000 or more
Construction in Progress	Capitalization only – move to the appropriate asset category when finished and put into service
Buildings	Permanent Structures owned by the Village regardless of cost
Building Improvements	Permanent Structures, building mechanical equipment, parking lots and lighting that individually cost \$10,000 or more
Land (Capitalized only, no depreciation)	Land purchased or received for Village use regardless of cost
Land Improvements	Trails, Park Improvements, electronic signs, that individually cost \$10,000 or more

Library Collection	Books, CD’s, DVD’s regardless of cost.
Motorized road equipment, i.e. cars, trucks, or ambulances	All permanent or semi-permanent attachments shall be included regardless of cost, 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
Other non-motorized equipment not attached to or associated with motorized equipment	All equipment that individually cost \$5,000 or more

V. Depreciation/Amortization for Long-Term Assets

All long-term assets (except for land, certain land improvements, and construction-in-progress) identified in the capitalization policy, will be depreciated or amortized as appropriate. Regardless of the month the asset is placed in service, one/half year of depreciation/amortization will be recorded in the first year. When the asset is fully depreciated/amortized, it will be kept on the books until it is disposed of. An asset disposed of prior to the end of its useful life will have the remaining “book” value written off as depreciation.

The Water Utility will follow guidelines for depreciation as established by the Public Service Commission.