

Baldwin Township

FIXED ASSETS POLICY

Effective July 12, 2011

INDEX

SECTION 1. PURPOSE

SECTION 2. DEFINITIONS

SECTION 3. CAPITAL ASSETS AND CAPITALIZATION THRESHOLDS

SECTION 4. ACQUISITIONS AND RETIREMENTS

SECTION 5. FIXED ASSET INVENTORY VALUATION AND CAPITALIZATION
CRITERIA

SECTION 6. RECORDING ASSETS

SECTION 7. SALE OF ASSETS

SECTION 8. DEPRECIATION

**PROCEDURES FOR ESTABLISHING AND MAINTAINING
A FIXED ASSET RECORD SYSTEM**

SECTION 1. PURPOSE

The following procedures and guidelines are to account for a standard system of control for all fixed assets owned by Baldwin Township. This is in compliance with GASB 34 requirements. This policy is only for accounting purposes and does not supersede any other policies. These procedures give directions to Township staff regarding the operation and maintenance of the Fixed Asset Control System (FACS).

SECTION 2. DEFINITIONS

Ancillary Costs	Costs, in addition to purchase of construction costs, related to placing a capital asset into its intended use or state of operation.
Asset Life	This is the standard estimated useful life of an item. To be considered a fixed asset, an item must have a useful life greater than two years (GFOA-MN Capital Asset Guide, E-1).
Asset Value	This is the value of an item. The value will be based on the invoice plus additional costs of preparing the asset for use. The threshold for capitalizing items is \$5,000, effective July 1, 2003. To be considered a fixed asset, an item must have a value greater than \$5,000.
Building & Structures	A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or movable. For example, a picnic pavilion would be considered a structure although it may have no walls. A building or structure is a roofed and/or walled structure that is Township owned. Certain buildings or structures that are an ancillary part of infrastructure networks such as pumping stations should be reported as infrastructure rather than buildings. A building or structure is a roofed and/or walled structure that is Township owned.
Building Improvements	Capitalized costs that materially extend the useful life of a building or increase the value, or both, beyond one year.

Building improvements should not include maintenance and repairs done in the normal course of business.

Capital Assets	Under the requirements of GASB 34, capital assets include land, construction in progress, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipments, works of art and historical treasures, infrastructure and all other tangible or intangible assets that are used in operation and that have initial useful lives extending beyond a single reporting period.
Capitalization Threshold	The dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.
Construction in Progress	Represents the construction activity status of buildings and other structures, infrastructure (highways, energy distribution systems, pipelines, etc.) additions, alterations, reconstruction, installation, and maintenance and repairs, which are substantially incomplete.
Depreciation	The process of allocating the cost of assets over a period of time, rather than deducting the cost as an expense in the year of acquisition.
Depreciation Method	The method used to calculate the allocation (depreciation) of the cost of a capital asset over its estimated useful life.
Estimated Useful Life	An accounting estimate of time period that an asset will be able to be used for the purpose for which it was purchased or constructed.
Fixed Asset	An item obtained by the Township with a value greater than \$5,000 and an estimated useful life greater than two years.
Furniture & Fixtures	Assets that are used by people in any Township facility that is considered furniture or fixtures.
Forfeited Property	Property seized by Police Department that will be used by the Township. The Township policy on forfeited property should be followed.
Infrastructure	Assets that are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly

greater number of years than most capital assets. They are permanent installations with a value greater than \$50,000. Examples include roads, bridges, tunnels, drainage systems, etc.

Infrastructure Improvements Infrastructure improvements are capital costs that materially extend the useful life or increase the value of the infrastructure, or both.

Land Any parcel of land that is Township owned whether developed or undeveloped. Include costs for professional fees, demolition, interest, taxes, commissions, etc.

Land Improvement Grading, roads and parking lots on Township owned land that will be capitalized.

Inexhaustible – Expenditures for improvements that do not require maintenance or replacement, expenditures to bring land into condition to commence erection of structures, expenditures for improvements not identified with structures, and expenditures for land improvements that do not deteriorate with use or passage of time are additions to the cost of land and are generally not exhaustible and therefore are not depreciable.

Exhaustible - Other improvements that are part of a site, such as parking lots, landscaping and fencing are usually exhaustible and are therefore depreciable. Depreciation of site improvements is necessary if the improvement is exhaustible.

Machinery & Equipment Includes motorized and non-motorized equipment that has a primary function of the Baldwin Township street, park or utility maintenance. It includes items such as tractors, mowers and snow blowers, etc.

Modified ½ Year Convention Under modified ½ year convention, assets placed in service during the first half of the year are considered to have been placed in service on the first day of the year. Therefore, they receive a full year's depreciation in the acquisition year. Assets placed in service during the second half of the year are considered to have been placed in service on the first day of the following year. Therefore, they receive no depreciation in the acquisition year, but receive a full year's depreciation in the subsequent year.

Office Equipment	An item used by employees to perform a mechanized task in an office environment. For equipment, typewriters, telephones and adding machines. Cameras, VCR's, cellular phones, refrigerators and microwaves, etc. are also included in this category. This category does not include computers, as there is a separate distinct category for computer equipment.
Salvage Value	The salvage value of an asset is the value it is expected to have when it is no longer useful for its intended purpose.
Tools & Other Equipment	This category includes all small tools and equipment such as chain saws, jack hammers, battery chargers, post drives, etc. Vehicle equipment as defined below is excluded from this category.
Vehicles	Motorized vehicles owned by the Township such as trucks.
Vehicle Equipment	Equipment that is installed in/on a motor vehicle such as radios, wing plows, sanders, lighting packages and tool boxes.

SECTION 3. DEFINITIONS

A capital asset is real or personal property that has a value equal to or greater than the capitalization threshold for the particular classification of the asset and has an estimated useful life greater than two years (GVOA-MN Capital Asset Guide, E-1)

The Township reports capital assets in the following categories:

- Land/Land Improvements
- Construction in Progress
- Other Improvements
- Buildings/Building Improvements
- Machinery and Equipment
- Vehicles
- Infrastructure

For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land/Land Improvements	\$10,000	Capitalize Only
Construction in Progress	\$10,000	Capitalize Only

Other Improvements	\$25,000	
Buildings	\$25,000	
Building Improvements	\$25,000	
Machinery and Equipment	\$5,000	
Vehicles	\$5,000	
Infrastructure	\$50,000	Depreciate only if Exhaustible
Other Assets	\$5,000	

Capital assets should be recorded and reported at their historical costs, which include the vendor's invoice (plus the value of any trade-in or allowance, if reflected on the invoice) plus sales tax, initial installation costs (excluding in house labor), modifications, attachments, accessories or apparatus necessary to make the asset usable and render into service. Historical costs also include ancillary charges such as freight and transportation charges; site preparation costs, and professional fees.

If something other than cash issued to pay for the asset, then the fair-market value of the non-cash payment or consideration determines the asset's cost or acquisition value. When the value of the consideration paid can't be determined the asset's fair market value determines its cost.

Capital asset improvement costs should be capitalized if the costs exceed the capitalization threshold and either the value of the asset or estimated life is increased by 25% of the original cost, or the cost results in an increase in the capacity of the asset, or the efficiency of the asset is increased by more than 10%.

SECTION 4. ACQUISITIONS AND RETIREMENTS

When a department acquires a new asset, the department head is responsible for notifying the Township Clerk/Treasurer with the following information:

1. Description: The description should clearly describe the asset, keeping in mind that this description will be used to help identify the asset in the future, without being too lengthy.
2. Expenditure Account: This is the expenditure account that the invoice for the asset is coded to.
3. Location: This is the intended location in which the asset will be stored.
4. Vendor: This is the name of the vendor from whom the asset was purchased.
5. Acquisition Date: This is the date the asset was acquired.

6. Manufacturer: This is the name of the manufacturer of the asset, if applicable.
7. Model Number: This is the model number assigned to the asset by the manufacturer, if applicable.
8. Serial Number: This is the serial number assigned to the asset by the manufacturer, if applicable.
9. Invoice Number: This is the vendor's invoice number for the asset.
10. Cost: This is the cost of the item. Cost will be based on the invoice plus additional costs of preparing the asset for use. Trade-in values will not be used to reduce the carrying cost of the new asset.
11. Estimated Useful Life: This is the standard useful life of the item based on the chart Section 8.

The Township Clerk/Treasurer is responsible for recording completed construction projects in the year completed.

When a department retires or transfers out an asset, the department head is responsible for notifying the Township Clerk/Treasurer with the following information:

1. Asset Description; The description should be detailed and should include the year, model, model number, color, make, type and other pertinent information relating to the asset.
2. Department: This line refers to the department retiring or otherwise changing the asset.
3. Date of Change: This is the date the change took place.
4. Type of Change: The department head should state whether the asset was sold, transferred, destroyed or traded in.
5. Asset Number: This is the number that is assigned to the asset and on record in the Township's asset files.

If **SOLD** the amount of the sale and copy of receipt of cash should be attached.

2. **Buildings & Improvements:** Architect fees, legal fees, appraisers, costs of fixtures, damage claims, insurance premiums, interest and related construction costs.
3. **Machinery, Equipment & Furniture:** Transportation charges; installation costs.
4. **Motor Vehicles:** Transportation charges, painting and installation of additional equipment.
5. **Street Lighting:** Street lights acquired through a Township installed project will be valued at either the contractors' costs plus a prorated share of all other project costs, or the contractor accosts plus 35%. Street lights acquired through a developer installed project will be valued at the contractor cost plus 35%, or current fair market value (based on an engineering estimate) plus 35%.

It will be the responsibility of the department head to inform the Township Clerk/Treasurer of any additional costs associated with an asset.

SECTION 6. RECORDING ASSETS

Land: Land is to be capitalized but not depreciated. It is recorded at historical cost and remains at that cost until disposal. If there is a gain or loss on the sale of land, it is reported as a special item in the statement of activities.

Land Improvements: Land improvements include items such as excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, flagpoles, retaining walls, fencing, signs, outdoor lighting, and other non-building improvements intended to make the land ready for its intended purpose. Land improvements can be further categorized as non-exhaustible and exhaustible.

Inexhaustible – Expenditures for improvements that do not require maintenance or replacement, expenditures to bring land into condition to commence erection of structures, expenditures for improvements not identified with structures, and expenditures for land improvements that do not deteriorate with use or passage of time are additions to the cost of land and are generally not exhaustible and therefore are not depreciable.

Exhaustible – Other improvements that are part of a site, such as parking lots, landscaping and fencing are usually exhaustible and

are therefore depreciable. Depreciation of site improvements is necessary if the improvement is exhaustible.

Buildings: Buildings should be recorded at either their acquisition cost or construction cost. The cost of new construction should be carefully evaluated because projects usually consist of major components such as land, land improvements, building construction (including professional fees and permits), furniture, fixtures and equipment. In addition, buildings include components such as roof, air conditioner system, etc. that should be recorded separately when significant because these building components have different useful lives. The value of each component needs to be determined and placed within its own category. Capitalize and depreciate.

Building Improvements: Building improvements that extend the useful life should be capitalized and depreciated. Examples of building improvements include roofing projects, remodeling or replacing major building components.

Construction in progress: Construction in progress should be capitalized and not depreciated. It should be reported with land and other non-depreciating assets at the government-wide level. Unspent debt proceeds from capital assets related debt are reported in the assets section of the statement of net assets as "restricted for capital projects."

Machinery and Equipment (Including office equipment): Assets such as furniture, machinery and equipment (that met threshold levels) should be capitalized and inventoried. Some assets, individually, may fall below the capitalization threshold but may be purchased in large quantities by the Township, e.g. computers and books. Township staff should aggregate such assets and consider the materiality and significance of them and if material or significant capitalize such items either individually or in the aggregate.

Vehicles: Vehicles should be identified, inventoried, and depreciated.

Easements: An easement is an interest in land owned by another that entitles its holder to a specific limited use of the land. Therefore, easements are not required to be reported unless the Township paid for the easement.

Works of Art and Historical Treasures: Works of art and historical treasures should be recorded at historical costs. Depreciation is not required for collections or works of art that are inexhaustible.

SECTION 7. SALE OF ASSETS

No assets owned by the Township shall be sold to an officer or employee of the Township unless the sale conforms to Minnesota Statute 15.054. Property, except real property, may be sold to an employee after reasonable public auction or by sealed bid, if the employee is the highest bidder and is not directly involved in the auction sealed bid process.

SECTION 8. DEPRECIATION

New to general government capital assets is the requirement to depreciate those assets over their estimated useful lives. Depreciation is the process of allocating the cost of an asset over the periods that asset is used for its intended purpose.

Capital assets should be depreciated over their estimated useful lives unless they are:

- Inexhaustible (i.e., land and land improvements, certain works of art and historical treasures),
- Infrastructure assets reported using the modified approach, or
- Construction work in progress.

For financial statement purposes, the straight-line method will be used to calculate depreciation for each capital asset recorded. Under the straight-line depreciation method, the basis of the asset is written off evenly over the useful life of the asset. The same amount of depreciation is taken each year. In general, the amount of annual depreciation is determined by dividing an asset's depreciable cost by its estimated life. The total amount depreciated can never exceed the asset's historic cost less salvage value. At the end of the asset's estimated life, the salvage value will remain.

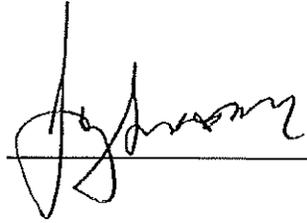
Standard estimated useful life guidelines are as follows:

Buildings	
Building Foundation/Frame/Structure	40 years
Buildings- Temporary	25 years
HVAC Systems (a/c heating)	20 years
Roof	20 years
Electrical	20 years
Plumbing	20 years
Sprinkler System	20 years
Security/Fire Alarm System	10 years
Cabling	10 years
Floor Covering (other than carpet)	10 years
Carpeting	5 years

Interior Construction	15 years
Interior Renovation	10 years
Telephone Equipment	10 years
Machinery, Equipment, Radio	
Business/Office Equipment	5 years
Audio Visual Equipment	5 years
Radio Communications	5 years
Furniture	15 years
Grounds Equipment – Mowers	10 years
Kitchen Equipment – Appliances	10 years
Custodial Equipment	5 years
Photocopiers	5 years
Mounted Equipment w/Truck Chassis	8 years
Vehicles	
Cars and Light Trucks	5 years
Heavy Trucks (more than 13,000 lbs)	10 years
Heavy Equipment – Loaders, Graders	10 years
Land	Not Depreciable
Construction in Progress	Not Depreciable
Infrastructure	
Street Lights	30 years
Wells and Pump Houses	25 years
Roads and Highways	
(includes curb and gutter)	
Paved	20 years
Asphalt	20 years
Non-Paved	No Depreciation
Public Parking Lots	20 years
Sidewalks	20 years
Land Improvements	
Fencing, Gates	20 years
Parking Lots	20 years
Outside Sprinkler Systems	20 years
Paths and Trails	20 years
Retaining Walls	20 years
Outdoor Lighting	20 years
Outdoor Equipment	20 years
Benches, Tables, Grills	5 years

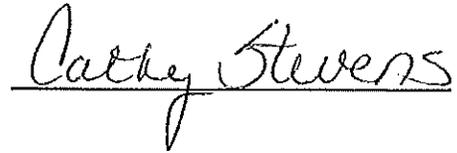
Adopted this 11th day of July, 2011, by the Township Board of Baldwin Township.

APPROVED:



A handwritten signature in cursive script, appearing to read "J. Johnson", is written above a horizontal line.

ATTEST:



A handwritten signature in cursive script, reading "Cathy Stevens", is written above a horizontal line.