

TOWNSHIP OF ROLLIN
FIXED ASSET CAPITALIZATION POLICY

Adopted: June 11, 2014

The Township of Rollin will regard fixed assets as capitalized when all of the following criteria are met:

1. Assets purchased, built or leased have useful lives of one year or more.
2. The cost of the asset (including installation) is \$2,000 or more. Multiple assets whose cost is less than \$2,000 but the aggregate requestor total is \$2,000 or more are capitalized.
3. The cost of repairing or renovating the asset is \$2,000 or more and prolongs the life of the asset.

The township will regard the purchase of software programs as fixed assets subject to the above capitalization policy, and will amortize over the useful life of 3 years. Costs associated with software maintenance and customer support are considered expenditures and will not be capitalized.

Other considerations:

1. REPAIR is an expenditure that keeps the property in ordinary efficient operating condition. The cost of repair does not add to the value nor prolong the life of the asset. All repair expenditures are charged to the appropriate departmental fund
2. IMPROVEMENTS are expenditures for additions, alterations and renovations that appreciably prolong the life of the asset, materially increase its value, or adapt it to a different use. Improvements of this nature are capitalized.

Example of Repair vs. Improvements

Repairs = Expenditures

All items-life less than one year
All items under \$2,000
Property maintenance, wall repair
Replacement of machine parts to keep machine in normal operating condition
Property restoration (rebuilding) for normal operations
Existing building repairs
Replacement of small sections of wiring pipes or light fixtures
Patching walls, minor repair of floors, painting, etc.
Patching driveways
Cleaning drapery, carpet, furniture

Improvements = Capitalized Assets

Life of more than one year
All Items \$2,000 or more
Property rebuilding
Replacement of motor and parts that prolong the useful life
Property restoration for something different of better
Building regulation conformity
Major replacement of wiring, lighting, pipes or light fixtures
Installation of floor, wall, roof, wall-covering, etc.
New driveway or major repair
New drapery, carpets, furniture

Depreciation Method—Straight Line over the following useful lives:

Buildings	40-60 years
Building Improvement	15-30 years
Water and <i>Sewer</i> Lines	50-75 years
Roads	10-30 years, see State Recommendations attached
Infrastructure	See State Recommendations attached
Vehicles	3-5 years
Office Equipment	3-5 years
Computer Equipment	3-5 years

(Sample prepared by David Williamson, CPA, Post, Smvthe, Lutz & Ziel, LLP. and WTA Siaj[Used with permission.)