

TOWN OF MENASHA CODE

CHAPTER 16

FINANCE

[Recreated 10/10/05]

For the purposes of this chapter, all departments and any programs, projects and expenditures, in which there are Town of Menasha or Town of Menasha Utility District monies being utilized, shall adhere to the requirements of this ordinance.

DEFINITIONS

For the purpose of this ordinance chapter, the following terms, phrases, words and their derivatives shall have the meaning given herein. When not consistent with the context, words used in the present tense include the future, words in the plural include the singular number, and words in the singular include the plural. The words "will" and "shall" are always mandatory and not merely directory.

Aggregate: Any single purchase consisting of multiple identical items.

Business: Any corporation, partnership, individual, sole proprietorship, joint stock company, joint venture or any other legal entity.

Claim: Bills and vouchers submitted to the Town for payment for services or items received by the Town and/or Utility.

Contract: Any type of Town agreement, regardless of what it may be called, for the purchase or disposal of supplies, services, or construction. It includes contracts of a fixed-price, cost, cost plus a fixed fee, or incentive type; contracts providing for the issuance of job or task orders; leases; letter contract; and purchase orders. It also includes supplemental agreements with respect to any of the above.

Contractor: Any person or business having a contract with the governmental body.

Cooperative Purchasing: Procurement conducted by, or on behalf of, more than one public procurement unit.

Designee: A duly authorized representative.

Emergency: A situation, or set of circumstances, where the continued performance of Town services, such as Fire protection, snowplowing, Police protection, etc., or the immediate safety needs of Town employees, residents, or property owners, requires an immediate purchase.

Employee: Any individual receiving compensation from the Town, whether elected or not.

Local Bidder: A business located within the Town of Menasha borders.

Procurement: The buying, purchasing, renting, leasing, or

otherwise obtaining of any supplies, services or construction. It also includes all functions that pertain to the obtaining of any supply, service, or construction, including description of requirements, selection and solicitation of sources, preparation and award of contract and all phases of contract administration.

Program: A budget program is a group of related activities for which the funding sources are substantially similar.

Public Contract: A contract for the construction, execution, repair, remodeling or improvement of any public work or building or for the furnishing of materials or supplies, with an estimated cost greater than \$5,000 (per Statute 60.47(1)(a))

Purchasing Agent: The Town Administrator is hereby designated the Purchasing Agent, hereinafter "Agent", for the Town and Utility. The Agent may delegate authority to any department head of the Town of Menasha for the preparation of specifications and/or the obtaining of bids and quotations as may be required.

Request for Proposals: All documents, including those attached or incorporated by reference, utilized for soliciting proposals.

Responsible Bidder: Per WI Stat. 60.47(1)(b), a person who, in the judgment of the Town Board, is financially responsible and has the capacity and competence to faithfully and responsibly comply with the terms of the public contract.

Responsive Bidder: A person who has submitted a bid, which conforms in all material respects to the invitation for bids.

Services: The furnishing of labor, time or effort by a contractor, not involving the delivery of a specific end product other than reports which are merely incidental to the required performance. This term includes "professional services" but it does not include employment agreement or collective bargaining agreements.

Specifications: Any description of the physical or functional characteristics, or of the nature of, a supply, service, or construction item. It may include a description of any requirement for inspection, testing, or preparing a supply, service, or construction item for delivery.

Supplies: All property, including but not limited to equipment, parts, materials, printing, insurance, and leases on real and personal property, excluding land or a permanent interest in land.

Total Amount: The total cost including all associated costs, such as delivery and employee costs.

Town: Any department, commission, board or committee of the Town of Menasha; a corporate politic of the State of WI.

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Using Department: Any department, commission, board or committee of the Town or Utility District.

16.01 REGULATING COLLECTION OF FEES AND ASSETS

- (1) All fees, costs, fines, taxes, or other financial exchanges necessitated in the regular course of Town business shall take place at the Municipal Complex at the Town of Menasha, located at 2000 Municipal Drive, Neenah, WI 54956 or at the premises of lending institutions designated by the Town of Menasha as recipients for said funds.
- (2) All municipal/utility assets are for municipal/utility purposes only, with the exception of public access to Town of Menasha Municipal Offices located at 2000 Municipal Drive, Neenah, Fire Station No. 40 located at 1326 Cold Spring Road, Neenah, WI 54956 the Community Center building at 1000 Valley Road, Menasha, WI 54952 and all park pavilions located on park properties.

16.02 PREPARATION OF TAX ROLL AND EXEMPTION FROM BOND

- (1) **Tax Roll.** The Finance Director/ Treasurer shall process the tax roll pursuant to Section 70.65 of the WI Stats.
- (2) Pursuant to WI Stat. 70.67(2), the Town hereby states that the Finance Director/Treasurer is exempt from giving the bond specified in this section. The Town hereby obligates itself to pay, in case its Treasurer fails to do so, all State and County taxes which the Town Treasurer is required to pay the County Treasurer. A certified copy of this ordinance shall be filed with the County Treasurer by the Town Clerk.

16.03 CLAIMS AGAINST TOWN

- (1) **Claims to be Certified.** Prior to submission of any account, demand or claim to the Town Board for approval of payment, the Town Finance Director shall certify that the following conditions have been met:
 - (a) Funds are available pursuant to the budget.
 - (b) The item or service was duly authorized by the proper official or agency and has been received or rendered in accordance with the local procurement policy.
 - (c) The claim is accurate in amount, and a proper charge against the treasury.
- (2) **Town Board Approval of Claims.** No claim or

demand against the Town, except as provided in Subsection (3) of this Section, shall be paid until it has been approved by the Town Board and an order drawn on the Town Finance Director. Every claim shall be itemized and certified as provided in Subsection (1).

After auditing, the Town Board shall approve or disapprove each claim. The resolution approving of the claims shall show to whom, for what purpose and the amount of every claim approved and shall be on record with the Town Clerk.

- (3) **Special Processing of Claims.** Many times due to the timing of Town Board meetings, claims may need to be settled prior to the next Town Board meeting. Additionally, many of the below listed items are routine in nature, such as an electric bill. Due to these facts, the Finance Department is authorized to issue checks for the below listed items. The Town Board shall be provided with a list of the claims that were special processed, at their next regularly scheduled Town Board meeting.

- 1.) Bond Payments
- 2.) Court-related Payments
- 3.) Debt Service Payments
- 4.) Escrow Releases
- 5.) Mobile Home and Hotel/Motel Tax Payments
- 6.) Payroll/Payroll Liabilities
- 7.) Postage
- 8.) Refunds
- 9.) Sewage Treatment Plant Expenses
- 10.) Tax Liabilities, including Settlements
- 11.) Utility Bills (ex. telephone, electric, water, etc)
- 12.) Miscellaneous Purchases, if under \$500
- 13.) Emergency Purchases

When a verified emergency expenditure occurs, which is declared by the Town Chairperson, the Administrator has authorization to approve cash disbursements up to \$25,000. The Administrator shall require written explanation/justification from the affected department head(s). The Director of Finance shall provide a list of such disbursements to the Town Board, along with the regular bills list, for the next regularly scheduled Town Board Meeting.

All tax refunds shall be special processed within ten (10) business days after the amount is collected by the Town of Menasha.

- (4) **Three or More Weeks between Town Board Meetings.** Since the processing of claims need to occur within the vendor's requirements, to not incur penalty or interest on the outstanding claim, the Finance Department is authorized to process the necessary checks to ensure the Town does not incur finance charges on Town accounts. The Finance Department shall be required to submit a listing of all bills paid in this manner at the next Town Board meeting. The amount of the claims processed shall not be limited to the above dollar amounts.

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- (5) **Method of Incurring Claims.** All actions which result in the appropriation of money or creating a charge against the Town, unless previously authorized by the Board through the budget process, including any claim that exceeds the budgeted amount shall require a 2/3 vote of the entire membership of the Board. Additionally, all actions which result in a cost to the Town shall be discussed with the initial action and need to meet the aforementioned requirements. The action taken needs to incorporate the necessary budget transfer/amendment in the resolution appropriating the funds/charge.

16.04 PREPARATION AND ADOPTION OF ANNUAL BUDGET

- (1) **Town Board to Prepare Budget.** On or before 14 days prior to the Annual Town Budget Hearing each year, the Town Board, with the assistance of the Town Administrator and Finance Director, shall prepare and submit a proposed budget presenting a financial plan for conducting the affairs of the Town for the ensuing year. Before preparing the proposed budget, the Board shall consult with the Town Administrator, Finance Director and/or the department heads to determine the total amount to be recommended in the budget for each Town department or activity. The Town's Adopted Budget shall provide a complete financial plan for the ensuing fiscal year.

- (2) **Proposed Budget.** The proposed budget shall include the following information:

(a) Expenditures:

- 1.) Actual year-to-date expenditures, per department/activity for the current year.
- 2.) Actual expenditures for the previous year.
- 3.) Year-end estimate for the current year expenditures.
- 4.) Reasons for any significant increases or decreases, as compared with actual and estimated current year expenditures.
- 5.) Any increase or decrease which significantly changes the services provided or level of services provided

(b) Revenues:

- 1.) Actual year-to-date revenues, per fund for the current year.
- 2.) Actual revenues for the previous year.
- 3.) Year-end estimate for the current year revenues.
- 4.) Reasons for any significant increases or decreases, as compared with actual and estimated current year expenditures.

- 5.) Any increase or decrease which significantly changes the services provided or level of services provided

- (c) All existing indebtedness of the Town, including the amount of interest payable and principal to be redeemed on any outstanding general obligation bonds of the Town and any estimated deficiency in the sinking fund of any such bonds during the ensuing fiscal year.

- (d) An estimate of the amount of money to be raised from general property taxes which, with income from other sources, will be necessary to meet the proposed expenditures.

- (e) Department/Program statement of purpose and goals and objectives for the upcoming year.

- (f) Such other information as may be required by the Town Board and by State law.

The Town Board shall provide a reasonable number of copies of the budget thus prepared for distribution to citizens.

- (3) **Budget Adoption.** The Town Chairperson, with the assistance of the Administrator and Finance Director, shall submit to the Town Board the annual budget and a draft of an appropriation resolution providing for the expenditures proposed for the ensuing fiscal year. Before adoption of a final appropriation resolution, the Town Board shall hold a public hearing on the budget and the proposed appropriation resolution as required by law pursuant to WI Stats. 65.90 and shall give published notice thereof as provided. The public hearing on the budget shall be satisfied by presentation at the Annual Town Budget Hearing. The budget shall be adopted by the Town Board via an appropriation resolution in summary based on the activities of the Town.

(4) **Changes in Adopted Budget.**

- (a) The management of the town budget is the responsibility of the Town Administrator and the Finance Director.

- (b) The Town Administrator shall be authorized to approve intra-department/activity transfers of funds when deemed necessary; however, WI Stat. 65.90 (5)(a) requires Town Board approval for transfers related to capital expenditures.

- (c) The Town Board may at any time, by a 2/3 vote of the entire membership, transfer any portion of an unencumbered balance of an appropriation to any other program/department or from one fund to another fund.

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(5) **Expenditures Limited by Annual Appropriation.** No money shall be drawn from the treasury of the Town nor shall any obligation for the expenditure of money be incurred, except in pursuance of the annual appropriation resolution and changes therein authorized in accordance with Subsection (4) of this Section. At the close of each fiscal year any unencumbered balance of an appropriation shall revert to the fund equity and shall be subject to re-appropriation; but appropriations may be made by the Town Board, to be paid out of the income of the current year.

(6) **General Fund Equity** *[Revised August 13, 2001]*

- (a) A designated operating fund shall be established by the Town Board for the purpose of providing 'cash on hand' for the normal operation of the Town, in order to avoid short-term borrowing for such operations.
- (b) Establish the amount of General Fund Equity. The amount of the General Fund Equity shall be established at 20% of the subsequent year's general fund operating budget.
 - (1) Designation within the General Fund Equity Account an amount equal to one month's operating expense based on the prior year's general fund operating budget.
 - (2) Designation within the General Fund Equity Account an amount necessary to fund the employees' accrued absences.

(7) **Capital Replacement Fund**

- (a) The Town of Menasha Board shall maintain a capital replacement fund for the purposes of replacing costly equipment, vehicles, and any other items as approved by the Town Board.
- (b) Annually the Town Administrator and Finance Director shall provide a replacement schedule, and the calculation for the monies needed to support the fund, as part of the budget process.

16.05 PROCUREMENT POLICY

(1) **Purpose**

The purpose of this ordinance shall be to promote the underlying purposes and policies relating to local procurement.

- (a) To simplify, clarify and modernize the system of procurement of contractual services, material, and equipment for the Town;
- (b) To provide increased public confidence in the procedures used in public procurement;

- (c) To ensure the fair and equitable treatment of all persons who deal with the procurement system of the Town;
- (d) To provide increased economy in Town procurement activities and to maximize to the fullest extent practicable, the purchasing value of public funds of the Town;
- (e) To foster effective broad-based competition within the free enterprise system;
- (f) To provide safeguards for the maintenance of a procurement system of quality and integrity.

(2) **Scope of Authority**

- (a) The terms of this ordinance are applicable to all budgeted contractual services (except those designated as professional services or labor contract between unionized employees and the Town). The funding source is not relevant.
- (b) Procurement of non-budgeted items shall be handled on a case-by-case basis by Town Board resolution in accordance with the provisions of this ordinance.
- (c) The Agent is hereby granted the authority to make all budgeted purchases in accordance with the provisions of this ordinance. The Agent is authorized to solicit all bids, quotes or otherwise assure competitive purchasing.
- (d) The Agent may enjoin with other entities in cooperative purchasing for the purpose of obtaining more economical rates and/or prices.

(3) **Method of Purchases**

All budgeted purchases shall be made in accordance with the following:

- (a) **Competitive Sealed Bids.** Required for public contracts and capital purchases (an exception for vehicle purchases can be made by the Administrator), the price of which either as an individual purchase or in the aggregate exceeds \$15,000.
- (b) **Competitive Quotes/Negotiated Purchases.** Required in written form if the amount of the public contract and/or capital purchase, either as an individual purchase or in the aggregate is between \$5,000 and \$15,000 or a vehicle purchase over \$15,000.

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- (c) **Outright Purchase.** May be made without quotation when the amount is less than \$5,000 or if it is other than a public contract and/or capital purchase provided that the purchase is not artificially divided so as to constitute an outright purchase, and as long as, the purchase is within its specific budgeted amount.
 - (d) Exception to this section may be made in case of emergencies and donated material and labor, in accordance with State Statute 60.47 (5).
- (4) **Competitive Sealed Bids**
- (a) Where the estimated cost of the public contract and/or capital purchase exceeds \$15,000, the Agent shall request competitive sealed bids in accordance with WI Stats. 60.47. An exception for vehicle purchases may be made by the Town Administrator, if it is in the best financial interest of the Town of Menasha.
 - (b) Formal specification for the requested item shall be prepared by the requesting department and shall include all contractual terms and conditions applicable to the procurement.
 - (1) Requirements may include such criteria to determine acceptability such as inspection, testing, workmanship, delivery and suitability for a particular purpose.
 - (2) The criteria to be used in evaluation of the bid, shall be to the greatest extent possible, be objectively measurable, such as discounts, transportation costs, and total or life cycle costs.
 - (3) No criteria may be used in bid evaluations that are not set forth in the specifications or invitation to bid.
 - (c) Bids shall be addressed to the Agent or Agent's designee, submitted sealed, and shall be clearly marked as a bid on the envelope.
 - (d) The Agent or Agent's designee shall date and time stamp the sealed bid when received, and write their name or initials on the sealed bid envelope.
 - (e) Bids shall be opened in public at the time and place stated in the public notice. The opening shall not occur unless it is witnessed by at least one person in the employ of the Town who is not opening the bids.
 - (f) A tabulation for all bids received shall be made and available for public inspection.
 - (g) No bid shall be accepted where the bidder is in default on the payment of taxes, licenses, or other monies due the Town.
- (h) The award of the contract shall be made by the Agent if budgeted otherwise by the Town Board to the lowest cost responsible and responsive bidder whose bid meets the requirements and criteria set forth in the specifications and in the invitation for bids.
 - (i) The Town Board or its Agent, as appropriate, retains the right to reject any or all bids in the best interest of the Town, provided such notice was given in the bid notice. In addition, the Town shall have the right to reject any or all bids, as long as rejecting any or all bids is in compliance with State Statutes.
 - (j) Following award of the bid, the Town Chairperson or designee is authorized to sign the contractual document.
- (5) **Competitive Quotes; Negotiated Purchases**
- (a) Where the estimated cost of a purchase is between \$5,000 and \$15,000, the Agent shall request competitive quotes in accordance with the requirements of WI Stat. 60.47.
 - (b) The award of the contract shall be made by the Agent, if budgeted, otherwise by the Town Board to the most responsible offerer whose quote is determined to be the most advantageous to the Town taking into account the evaluation factors set forth in the request for quotes.
 - (c) The Agent is authorized to reject or award any or all quotes.
 - (d) All purchases made under this section shall be based, wherever possible, on at least three quotations. The quotations shall be attached to the claim and subject to public inspection.
 - (e) No quote shall be accepted where the quoter is in default on the payment of taxes, licenses, or other monies due the Town.
- (6) **Outright Purchase**
- (a) As long as the purchase is within its specific budgeted amount, purchases less than \$5,000 may be made by the requesting department subject to approval by the Agent.
 - (b) No purchase shall be made where the supplier is in default on the payment of taxes, licenses, or other monies due the Town.
- (7) **General Provisions**
- (a) The Agent is empowered to make such administrative requirements as may be necessary for the efficient enforcement of this ordinance.

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- (b) The Agent has the authority to dismiss the low bid or quote based on prior bad history with the bidding/quoting entity, and the Agent has authority to dismiss for any lawful reason pursuant to WI Stat. 60.47(b) and WI Case Law.
- (c) Under emergency conditions, as defined, purchases may be made by authorized departmental personnel provided a report on such purchase is made to the Agent during the next normal working day and reported to the Town Board at their next regularly scheduled meeting.
- (d) **Quotations are Equal:** All quotations received are for the same total amount, or unit price, quality and service being equal.

If sealed bid or quote:

- (1) The contract shall be awarded to a local bidder.
- (2) If (d)(1) is not in effect, the contract shall be awarded by drawing lots in public.
- (e) Quotes may be negotiated in the best interest of the Town.
- (f) Except in cases of emergency, the Agent shall not issue any order for a purchase unless there are sufficient unencumbered funds, within the requesting departmental budget, to defray the amount of such order.
- (g) The State of WI contract pricing shall be considered to have met the sealed bid and quote requirements, for the purposes of this ordinance.
- (h) Any company authorized to work in the Town of Menasha shall be required to submit proof of insurance for workers compensation, general liability and auto and/or contractors equipment to the Finance Department.

(8) **Disposal of Town/Utility Owned Items**

- (a) If the fair-market value of an item is greater than the cost to solicit a sale of the item but under \$5,000, the department head, in coordination with the Town Administrator, is required to sell the item competitively.
- (b) If the fair-market value of an item is greater than \$5,000, the Town Board of Supervisors shall determine the best method of sale.
- (c) For the purposes of this section, trade-in allowance from a vendor is considered to meet the necessary disposal requirements.
- (d) Town owned items shall never be given away, except by judgment of the Town Administrator,

where the item would have otherwise been disposed of.

- (e) The method and evaluation of determining the fair market value must be supplied with the sale monies received or with the disposal notice given to the Finance Department.

(9) **Town Accounts/Credit Cards**

In order to purchase from certain vendors, the Town of Menasha has several credit accounts. The Finance Department is solely responsible for maintaining these accounts, and shall be responsible for filing and maintaining the necessary paperwork for the accounts. If the charge account has a credit card, the credit card shall be maintained in the Finance Department for safekeeping.

For credit card purchases, a purchase order must be obtained in the same manner as any other purchase. Additionally, all receipts must be turned in to the Finance Department when the credit card is used, and no personal purchases may be made on the Town's charge card.

16.06 FIXED ASSET CAPITALIZATION POLICY *[Effective Jan. 1, 2003]*

- (1) Machinery, equipment, infrastructure, land, land improvements, buildings, and building improvements are to be capitalized if they meet all the following conditions:
 - (a) Acquired for the use in operations and not for immediate resale
 - (b) For the benefit of future periods
 - (c) Long term in nature. Typically five (5) years excepting certain vehicles
 - (d) Have physical substance
- (2) All fixed asset purchases will be recorded at historical cost. The Finance Department will only capitalize assets with a \$5,000 value or \$2,000 value for enterprise funds. However, the Finance Department, in coordination with the Department Heads, will track assets that have a historical cost greater than \$1,000.
- (3) Machinery, equipment and infrastructure purchased in groups that have a combined value greater than \$10,000 and meet the four conditions for capitalization, and have a material impact on department's operating budget will be capitalized. Groupings are mainly used for infrastructure, new buildings or building additions and/or remodels. Each freestanding building including additions and remodels are a separate group. The entire group of assets will be categorized and a useful life will be assigned to the group. Infrastructure assets will be grouped by year and type of asset.

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- (4) **Determining Asset Cost.** Historical cost is measured by the cash or cash equivalent price of obtaining the asset and bringing it to the location and condition, necessary for its intended use. The cost of each item includes the acquisition price plus those expenditures incurred in getting the asset ready for its intended use. Specifically,

(a) **Land costs typically include:**

- (1) Purchase price
- (2) Closing costs such as title, attorney, and recording fees
- (3) Cost of grading, filling, draining, and clearing the property
- (4) Assumption of any encumbrances on the property
- (5) Land improvements that have indefinite life
- (6) Permanent Easements

The cost of removing an old building from land purchased for the purpose of constructing a new building is properly charged to the land account. When improvements that have a limited life (fences, driveways, etc.) are made to the land, they should be set up in a separate land improvements account so they can be depreciated over their estimated useful life. If the land is donated or purchased for little cost, a market value will be determined at the time of acquisition in order to properly value the land.

(b) **Building costs include:**

- (1) Materials, labor, and overhead costs incurred during construction including building permits, and attorney or architect fees.
- (2) All costs incurred from excavation of the site to completion of the building are considered part of the building costs.
- (3) If the building is donated or purchased for little cost, a market value will be determined at the time of acquisition in order to properly value the building.

(c) **Infrastructure costs include:**

- (1) Costs associated with the construction of roads, storm sewers, water systems, bridges, streetlights, street signs, and trails.
- (2) Materials, labor and overhead incurred during construction
- (3) Engineering
- (4) Staking
- (5) Inspection costs

If the infrastructure is donated, a cost will be assigned based on the condition of the infrastructure at the time of donation. If the infrastructure is donated new as part of a new development, the cost assigned will be based on

costs supplied by the developer as set forth in development agreement(s).

- (5) All new construction of infrastructure will be capitalized if historical cost is greater than \$5,000 or \$2,000 for Enterprise Funds. Infrastructure improvements that increase future service potential will also be capitalized. The following costs will be capitalized:

- (a) **Roads** include the cost of curb and gutter and sidewalks. Road improvements include road milling and paving, reconditioning, chip sealing, slurry sealing or widening.
- (b) **Storm sewers** including concrete culverts, inlets and outlets; also new sump pump lines.
- (c) **Sanitary sewer** collection systems including mains, laterals, and lift stations.
- (d) **Water system** distribution including mains, services and hydrants.
- (e) **Bridge** improvements including lengthening, widening or additional support.
- (f) **Streetlights** either purchased by the Town or donated by developments.
- (g) **Street signs** are capitalized as a group by year even though individual street sign cost is less than the capitalization limit of \$5,000.
- (h) **Trails** including lengthening, paving or widening of existing trails.

- (6) The following costs are expensed/expended when incurred:

- (a) Road patching, re-shouldering, crack filling & re-striping paved roads
- (b) Storm sewer: Driveway culverts, cleaning ditches and routine maintenance
- (c) Water system routine repair and maintenance of the system
- (d) Bridge routine maintenance such as crack filling
- (e) Street Sign replacement of missing or damaged signs, fixing of sign posts
- (f) Streetlight lamp bulbs, fuses and sensors
- (g) Trail grading, weed control and grass trimming

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- (7) **Machinery and equipment costs** include purchase price and all costs related to the purchase that occur subsequent to acquisition but prior to actual use. These related costs would include such items as freight charges, insurance charges on the asset while in transit, assembly and installation, special preparation of facilities, and asset testing costs.
- (8) **Self-constructed Assets:** When machinery and equipment to be used by the Town are constructed rather than purchased, all costs associated with the construction process will be assigned so total allocations of costs are consistent with the historical cost principle.
- (9) **Software:** Computer software purchased by the Town for internal use will be handled by the following Public Service Commission's interpretation of Standard Operating Procedure 98-1 issued by AICPA. (For Regulated Utilities Only)
- (a) **Capitalization** of costs will occur on external direct costs of materials and services consumed in developing or obtaining the internal use computer software, payroll and payroll related costs for employees who are directly associated with and who devote time to the internal use computer software project (to the extent of the time spent directly on the project), and interest costs incurred when developing computer software for internal use should be capitalized.
- (b) **Expensing/Expending** of costs will occur with computer software costs that are incurred in the preliminary project; training costs and data conversion costs; internal and external costs incurred for maintenance; unspecified upgrades and enhancements should be recognized as expenses/expenditures over the contract period on a straight-line basis.
- (10) **Interest Costs and Fixed Assets:**
- (a) Capitalization of interest costs incurred in connection with financing the construction of property, plant, and equipment is limited to capitalizing only the actual interest costs incurred during construction. To qualify for interest capitalization, assets must require a period of time to get them ready for their intended use. Assets that qualify for interest cost capitalization include assets under construction for the Town's own use, mainly infrastructure and buildings.
- (b) The period during which interest must be capitalized begins when *all three of the following conditions are present:*
- (1) Purchase of the asset has occurred;
 - (2) Activities that are necessary to get the asset ready for its intended use are in progress; and
 - (3) Interest cost is being incurred.
- (c) The amount of interest that may be capitalized is limited to the lower of; (a) actual interest cost incurred during the period or, (b) the amount of interest cost incurred during the period that theoretically could have been avoided if the cost of the asset had not been made (avoidable interest). Interest capitalized should be recorded net of any interest income earned on the borrowed dollars.
- (11) **Acquisition of Assets**
- (a) **Cash Discounts:** The asset should be recorded in the capital expense/expenditure accounts at the current cash equivalent price on the date of acquisition. Exclude the cash discount from the recorded cost of the asset (if the cash discount is taken).
- (b) **Deferred Payment (Lease to own) Contracts:** Assets purchased on long-term credit contracts should be accounted for at the present value of the consideration exchanged.
- (c) **Donated Assets:** (Nonreciprocal transfers) Recorded at fair market value.
- (d) **Trade Ins:** New assets are recorded at cost. If a trade-in allowance were given to reduce the cost of the new asset, the trade-in would be added back in to determine the actual original cost of the asset.
- (12) **Post Acquisition Costs (Expense/Expenditure or Capital)**
- (a) Cost related to fixed assets that are incurred after the asset is placed in use are either added to the asset account (capitalized) or charged against operations when incurred.
- (b) In general, costs incurred to achieve greater future benefits from the asset should be capitalized. For the costs to be capitalized, one of three conditions must be present:
- (1) The useful life of the asset must be increased
 - (2) The quantity of service produced from the asset must be increased; or
 - (3) The quality of the units produced must be enhanced
- (c) **Additions** result in the creation of new assets and they should be capitalized.

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(d) **Improvements and replacements** are substitutions of one asset for another. An improvement substitutes a better asset for the one currently used, whereas a replacement substitutes a similar asset. Improvements and replacements should be capitalized only if an improvement or replacement increases the future service potential of the asset. Expense/expenditures that simply maintain a given level of service such as normal repairs should be recorded as expense, and not capitalized.

(b) **Infrastructure reporting** for roads, storm sewer, bridges, streetlights, street signs, and trails is a new requirement per GASB34. This information will be entered into HTE as of December 31, 2007. New roads dedicated or constructed after December 31, 2002 will be added as they are completed or dedicated.

(13) **Depreciation of Assets:** The process of allocating the historical cost of property, plant and equipment to the periods benefited by those assets is known as depreciation. For all assets, including asset groups, straight-line depreciation will be recorded annually. In the year of purchase and in the final year, depreciation will be calculated for a half year. In calculating depreciation, salvage value will be considered in the calculation. For example, if a police squad is purchased in 2005 for \$20,000 with an anticipated salvage value of \$5,000, and a useful life of 3 years, the depreciation in 2005 will be \$2,500. ($\$20,000 - \$5,000 \text{ salvage value} = \$15,000 / 3 \text{ years useful life} = \$5,000 / 2 \text{ for half a year} = \$2,500$) For individual assets disposed of during the year, depreciation will be calculated as of the disposal date. The useful life, if unknown, will be estimated using the listing in **Exhibit A**.

(14) **Disposition of Assets:** When a fixed asset is disposed of, the accounting records should be relieved of the cost and accumulated depreciation associated with the asset. Disposals may occur due to obsolescence, loss, sale of asset, and/or destruction. Disposals should be listed separately by department.

In the case of asset groups, disposal will not occur until the end of its useful life. Although a part of the group of assets may be disposed of earlier than the useful life, the entire group asset will not be disposed of until the end of its given useful life.

(15) **Fixed Asset Software & Asset Numbers:** All assets will be assigned a fixed asset number. Since it is impractical or physically impossible to tag all assets, for those that we are unable to tag (i.e.: land, buildings, infrastructure, software, submersible pumps, etc.), a fixed asset number will be assigned on the Town of Menasha's records, but the actual asset will not have a tag on it.

(16) **Transition Information:**

(a) **Assets Purchased Prior to January 1, 2003** - This policy will go into effect as of January 1, 2003 and will encompass all assets. Assets acquired prior to January 1, 2003 and less than \$5,000, or \$2,000 for Enterprise Funds, will be removed from the Town of Menasha books.

TOWN OF MENASHA CODE

Exhibit A

LISTING OF USEFUL LIFE FOR FIXED ASSET PURPOSES

(Minimum value of \$5,000 or \$2,000 for Enterprise Funds)
Public Service Commission guidelines will be followed for regulated utilities

<u>Types of Equipment</u>	<u>Useful Life (in Years)</u>
<u>Appliances</u>	
Refrigerator, Stove, etc	10
Bridges–Pedestrian	30
Buildings (includes Lift Stations)	20 - 40
<u>Communications Equipment</u>	
Computer/Network Equipment	3 - 5
Radio, Phone System Equipment.....	7 - 10
Video Equipment	5 - 10
Confined Space Equipment.....	5 - 10
<u>Construction Equipment</u>	
Pipe Laser, Trench Box	10
Fitness Equipment	15
Generators.....	10 - 20
<u>Heavy Equipment</u>	
Backhoe, Excavator, Crawler, Dozer, Dump Truck.....	10
<u>Office Equipment</u>	
Copy Machine, Fax, Shredder	3 - 5
<u>Office Furniture</u>	
Non-Upholstered Furniture, Bookcase, Credenza, Desk, Cabinet, Table.....	10 - 12
<u>Operating Equipment</u>	
Mowers	7 - 15
Televising Camera	10
Work Bench.....	10
<u>Playground Equipment</u>	
Jungle Gym, Swings, Bleachers, Fencing	8 - 10
<u>Portable Equipment</u>	
Generators, Pumps, Air Compressors.....	10 - 20
Radar Unit.....	3
<u>Roads</u>	
Asphalt Base, 2 Lanes	30
Asphalt Base, 4 Lanes	30
Concrete Base, 2 Lanes	30
Concrete Base, 4 Lanes	30
<u>Software</u>	
Licenses, Upgrades, Modules.....	5 - 10
Storm Sewer System	30
Street Signs	7
Sump Pump Lines	30
Telemetry Panel	30
Trailer.....	10 - 15
Traffic Signals.....	15
Trails, Sidewalks	15
<u>Vehicles</u>	
Fire Apparatus	20
Squad Cars	2 - 7
Van, Pick-up Truck, Motorcycle, Jet Sewer Cleaner, Snow Plow	6 - 12
<u>Voting Equipment</u>	
Accu-Vote Voting Machines.....	10