



## Administrative Policies and Procedures

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|-------------------------------------|--------------------|
| Policy Title: Fixed Assets          | Policy Number: 516 |
| Effective: 8/8/2022                 |                    |
| Supersedes APP 516 dated 4/20/16    |                    |
| Approval: <i>Milton Dohoney Jr.</i> | Page 1 of 3        |

1. **Purpose-** To set forth the official policy of the City of Ann Arbor regarding the capitalization and tracking of the City's fixed assets.
  
2. **Policy-** In accordance with generally accepted accounting principles (GAAP) and the Government Finance Officers' Association (GFOA) Best Practices, it is the policy of the City of Ann Arbor that:
  - 2.1. Fixed assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of two years or more.
  - 2.2. Fixed Assets are recorded at historical cost (i.e. purchase price of the asset or total cost of the construction project).
  - 2.3. Donated fixed assets are recorded at the estimated fair value at the date of donation.
  - 2.4. The costs of normal maintenance and repairs that do not add value to the assets or materially extend the useful life of the asset are not capitalized.
  - 2.5. Items that are purchased separately as peripheral equipment and can be removed from the asset (i.e. a plow or light bar attached to a vehicle) will not be capitalized unless the individual item is at or above the capitalization threshold of \$5,000. Generally, peripherals do not add to the useful life of the asset.

2.6. Fixed Assets are depreciated based on the following estimated useful lives (in years):

|                                   |         |
|-----------------------------------|---------|
| Structures and Improvements       | 40 - 50 |
| Improvements other than Buildings | 20 - 99 |
| Infrastructure                    | 15 - 25 |
| Intangible Assets                 | 5 - 20  |
| Machinery & Equipment-Heavy       | 10      |
| Machinery & Equipment-Light       | 8       |
| Vehicles-non-Police /non-Patrol   | 6       |
| Vehicles-Police                   | 3       |

2.7. Fixed Assets purchased with Federal grant money, either through the City procurement process or on our behalf through the Federal or State agency, must be identified and tracked in the City's financial system.

2.7.1. For items purchased on our behalf through a Federal or State agency, affected service units must inventory their grant-acquired fixed assets annually and certify the location of those items to Finance. In addition, service units are responsible for following the conditions outlined in the grant agreement that funded the fixed assets.

2.8. The purchase of a police K-9 dog is not capitalized regardless of cost. Police K-9 dogs are excluded from this policy given the volatile nature of a service animal. The time and effort to properly record and monitor police K-9 dog assets over time is greater than the benefit and duly deemed immaterial by the City. Purchases of K-9 dogs should be recorded to Property, Plant, and Equipment < \$5,000.

### 3. Procedure

3.1. When entering invoices into the financial system, service units should properly code them to the fixed asset series of accounts. This notifies Finance staff of the qualifying purchase.

3.2. Finance will review each invoice charged to the fixed asset series and either capitalize the purchase or move it to a different account number.

3.3. In the case of construction, Finance reviews each project and related charges with the applicable service unit to determine whether the project is still under construction or completed. Ongoing costs of an open project are placed in Construction Work in Progress for financial system/statement purposes. When the project is closed, the constructed asset is capitalized.

- 3.4. Service areas that receive donated assets must notify Finance immediately with the following:
  - 3.4.1. Name and address of the donor;
  - 3.4.2. Acquisition value, description, and date;
  - 3.4.3. Location and service unit responsible for safeguarding the asset; and,
  - 3.4.4. Special terms for maintenance, disposal, or other limitations.
- 3.5. Periodically, but no more than annually, Finance will ask service units to review their Fixed Asset inventory using a report prepared by Finance and return the list with any updates.
- 3.6. Grant acquired fixed assets must be certified by the staff who safeguard the asset. Such assets will be reported to Finance to verify existence, confirm the current location, and to demonstrate compliance with any terms of the grant agreement. Finance will denote any Federal grant-funded fixed assets in the financial system.
- 3.7. Procedures outlined in APP#203, ***Sale of Surplus Property***, shall be applied when any asset needs to be disposed.