



**RESOLUTION ESTABLISHING AND ADOPTING THE CAPITALIZATION VALUE, A DEPRECIATION METHOD AND ESTIMATED USEFUL LIFE OF FIXED ASSETS**

At a meeting of the City of Hartford Commission, located at 19 West Main Street and called to order by Mayor Richard A. Hall on October 24, 2022 at 7:30p.m.

The following resolution was offered:

Moved by Commissioner \_\_\_\_\_ and supported by Commissioner \_\_\_\_\_.

**WHEREAS**, The City of Hartford Commission finds it desirable to adopt a comprehensive set of financial management policies for the City of Hartford; and

**WHEREAS**, the Government Accounting Standard Board (GASB) adopted Standard No. 34, which requires fixed assets to be depreciated; and

**WHEREAS**, the City uses the straight-line depreciation method and wishes to establish the following estimated useful life of fixed assets as described herein to provide efficient and fiscally sound financial management.

**NOW THEREFORE BE IT RESOLVED**, that the City Commission of the City of Hartford hereby adopts the Fixed Asset Capitalization Policy as follows:

**Purpose:** The purpose of this policy is to establish standard procedures for capitalizing fixed assets to facilitate the identification, reporting and safeguarding of City assets in compliance with generally accepted financial reporting requirements.

**Asset Value:** Capital assets are valued at their historical cost. In the absence of historical cost information, the asset's estimated historical cost will be assigned and used. Contributed capital is reported at fair market value or the value on the date the asset is contributed.

The cost of a capital asset includes the following:

1. Historical cost of the asset
2. Ancillary charges necessary to place the asset in its intended location (i.e. freight charges)
3. Ancillary charges necessary to place the asset in its intended condition for use (i.e.) installation and site preparation charges.
4. Capitalized Interest
5. Any subsequent improvements that meet the qualification listed below.

**Capitalization Threshold:** The City will capitalize all individual assets which or exceed \$5,000 and has an estimated useful life of two years or more.

**Grouped or Networked Assets:** Individual assets that cost less than the capitalization threshold, but that operates as part of a combined system will be capitalized in the aggregate, using the group method if estimated average useful life of the individual asset is one year or more and the value of the item meets capital value for budgeting as set by the City Manager. A combined system is determined to be where individual components may be below the capitalization threshold but are interdependent and the overriding value to the City is on the

entire system and not the individual assets. Examples include Streetlights, sidewalks, special equipment that are necessary to function as a whole, etc.

**Depreciation Method:** Capitalized assets are depreciated using straight-line method for the Annual Financial Report. The City maintains a depreciation schedule for the General Fund and the Enterprise Funds.

**Estimated Useful Lives:** The following guidelines are used in setting useful lives for asset reporting:

- Building and Building Improvements 50 years
- Equipment 10 years
- Small Vehicles (less than one-ton rating) 5-10 years
- Large Vehicles (equal to or greater than one-ton rating) 10-20 years
- Rolling Stock(all equipment not classifies as a vehicle) 10-20 years
- Furniture and Office Equipment 5-10 years
- Street Improvements
  - i New Construction –Road Base 60 years
  - ii New Construction-Surface, min vertical depth 4” 35 years
  - iii New Construction – Curb, Gutter, Sidewalk 60 years
  - iv New Construction – Street Lights 60 years
- Overlay of existing Improvement, minimum vertical 2” 15 years
- Utility Infrastructure (water, sewer, storm drain) 25-60 years
- Land Improvements 10-25 years

**Improvement vs Maintenance Costs:** With respect to asset improvements, costs at or over the capitalization threshold should be capitalized if:

- The estimated useful life of the asset is extended by more than 25%, 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%

Improvements that do not meet these criteria should be expensed as repair and maintenance.

**Assets below Capitalization Policy:** The City Shall report assets, which do not meet the capitalization threshold on an inventory, list to maintain adequate control and safeguard of City property. Periodic audits will be performed to verify that items listed on the inventory report are still located on City property and available for City use. Examples include small tools, small equipment, office equipment, public works supplies, etc. an annual inventory shall be completed each year.

YEAS:

NAYS: ABSENT:

RESOLUTION DECLARED ADOPTED

DATE: October 24, 2022

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RoxAnn Rodney-Isbrecht, City Clerk

I RoxAnn Rodney-Isbrecht, Clerk for the City of Hartford, do hereby certify that the foregoing is a true and complete copy of a Resolution duly adopted by the City Commission of the City of Hartford during a meeting held on October 24, 2022 and the public notice of said meeting was held in compliance with Act 267 of the Public Acts of Michigan 1976, as amended. DATE: October 24 2022

RoxAnn Rodney-Isbrecht, City Clerk  
City of Hartford 19 West Main Street Hartford MI 49057