

CITY OF EAST LANSING
POLICY RESOLUTION NO. 2022-9
Capital Asset Management Policy
Retroactively Effective July 1, 2021

WHEREAS, in the interest of prudent fiscal management, City Council desires to establish a capital asset management policy, and

WHEREAS, City Council wishes to give guidance to staff in order to maintain adequate records of capital assets, infrastructure assets, and capital improvements, and

WHEREAS, City Council wishes to define the capitalization thresholds, valuation of assets, depreciation methods, and proper disposal of assets;

NOW THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL ADOPTS THE FOLLOWING CAPITAL ASSET MANAGEMENT POLICY:

SCOPE

This capital asset policy is in accordance with generally accepted accounting principles and closely conforms to capital asset accounting practices as recommended by the Government Finance Officers Association (GFOA). This policy covers all City of East Lansing's capital purchases including general capital assets, infrastructure assets, and capital improvements. Also included are costs associated with extending the life or increasing the productivity of an existing asset.

The purpose of this policy is to describe the policies and procedures utilized in the City of East Lansing's capital asset management system and put in place guidelines for accounting for, depreciating, and the disposal of the City's capital assets. The City recognizes the importance of preserving the community's capital assets and to ensure that present and future needs are met and the importance of integrating this policy with other financial policies to ensure that capital investment decisions are consistent with other financial objectives.

The primary goals of this policy are:

1. To ensure that the City's capital assets are accounted for in conformance with generally accepted accounting principles
2. To establish a consistent and cost-effective method for accounting of the City's capital assets which will help management monitor the City's investment in its capital assets.

CAPITALIZATION THRESHOLDS

- See Policies for Federal Grant Awards if federal awards are being used to purchase the asset
- Capital assets acquired prior to the effective date of this policy and capitalized at a lower threshold, may continue to be depreciated on the basis of past practice.

- Capital assets are to be capitalized only if they have an estimated useful life of at least three (3) years following the date of acquisition.
- Capital assets capitalization thresholds are as follows:
 - Individual capital assets other than buildings and building or land improvements - \$7,500
 - Aggregate (group of individual capital assets) - excluding technology related - \$20,000
 - Aggregate (group of individual capital assets) - technology related - \$50,000
 - Buildings - \$50,000
 - Building and land improvements - \$25,000

VALUATION

In accordance with generally accepted accounting principles, the City of East Lansing will value its capital assets at historical cost. Historical cost includes the cost or estimated cost at the time of acquisition, freight charges, installation and site preparation charges, employee labor and materials for internally constructed assets, and the cost of any subsequent additions or improvements, excluding repairs. If a capital asset is donated to the City, the asset will be valued based on the estimated fair market value at the time the asset is donated.

CAPITAL ASSETS INVENTORY REPORT

As part of the financial audit, the Finance Department shall submit a capital asset report to the City's external auditor on an annual basis. This report will include the following information:

- Type of asset (i.e. land, building, infrastructure)
- Date of acquisition
- Acquisition cost
- Estimated useful life
- Annual depreciation
- Accumulated depreciation

DEPRECIATION

The City will use the straight-line method as its "basic approach" (standard approach) to depreciate capital assets.

ESTIMATED USEFUL LIVES

The useful life of a capital asset under contract should not exceed the term of the contractual obligation. The following useful lives will be used:

Asset(s)	Estimated Useful Life (In Years)
Buildings	50
Building Improvements	5-50
Machinery and Equipment	3-25

Infrastructure - Traffic Signals, Street Lights, Pathways, Sidewalks, and Bridges	15-50
Streets	25
Plant and Water/Sewer Systems	25-50
Trucks	7-10
Light Trucks and Automobiles	5
Library Books and Electronic Resources	5
Land Improvements	7-50
Drainage Flow Rights	7-21

CAPITAL VS REPAIR AND MAINTENANCE EXPENSE

Costs should be capitalized if the useful life of the asset is substantially extended, or the cost results in a substantial increase in the capacity or efficiency of the asset(s).

Costs incurred for repairs and maintenance to a tangible capital asset which either restore the asset or maintain it at its normal or expected service life or production capacity, shall be treated as an expenditure of the current period and not be capitalized.

INVENTORY

For internal control purposes, the City may maintain an inventory listing of certain assets (controlled equipment) that do not meet the referenced capitalization amounts. Controlled equipment includes items that should be specifically accounted for and inventoried periodically due to heightened risk of theft, to ensure legal compliance, or to protect public safety and avoid potential liability. Controlled equipment may include items such as computers, construction equipment, other office equipment, and parts and materials at the Department of Public Works. Each Department Head is responsible for all controlled equipment within their areas of responsibility.

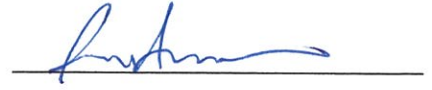
DISPOSAL AND TRANSFER OF ASSETS

Disposition of assets will be performed in accordance with applicable City of East Lansing's policies and procedures. Departments are responsible for communicating when an asset has been disposed. If an asset was purchased with funding from a federal award, the terms and conditions of the federal award must be referred to for instructions on how the asset may be disposed of. If the federal award does not provide instructions for disposal, the instructions must be obtained from the federal awarding agency or the pass-through entity.

Assets are typically disposed of in the following ways:

- Sold - direct sales or auctions by the department. The department is responsible for ensuring sales occur at arm's length, particularly when dealing with parties related to the City. This includes ensuring fair and competitive bidding when appropriate.
- Traded-In - similar procedures to those listed under "Sold" above, are followed for trade-ins. Full details are required for all value received and given during this transaction, including allowances.
- Donated - assets may be donated to other organizations. Other procedures are similar to sales and trade-ins.

- Disposed - assets are typically discarded by scrapping or dumping, where the asset has little or no resale value.



Ron Bacon, Mayor

Dated: 5-27-22

Moved by Council member: Brookover

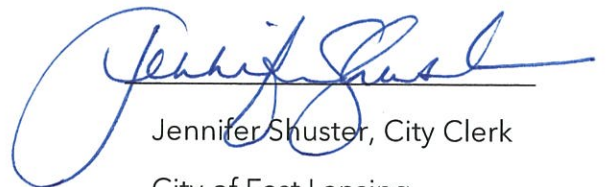
Supported by Council member: Gregg

ADOPTED: Yeas: 5

Nays: 0

Absent: 0

CLERKS CERTIFICATION: I hereby certify that the foregoing is a true and complete copy of a Resolution adopted by the East Lansing City Council at its meeting held on Tuesday, May 24, 2022, the original of which is part of the Council's minutes.



Jennifer Shuster, City Clerk

City of East Lansing
Ingham County, Michigan