



601 Avenue A Springfield, MI 49037-7774 Phone: (269)965-2354 Fax: (269)965-0114 [www.springfieldmich.com](http://www.springfieldmich.com)

## Capitalization Policy

### Capitalizing Assets

Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The following guidelines should be followed when determining if a purchase should be capitalized:

1. If the initial cost of a piece of equipment, and/or other personal property is \$5,000.00 or more and the estimated life or useful value of the equipment or property is more than one year, the same shall be capitalized and recorded as a capital outlay expenditure.
2. If the initial cost of a piece of equipment and/or other personal property is less than \$5,000.00, or if its estimated useful life is less than one year regardless of cost, the same shall be treated and recorded as a maintenance expense.
3. Property improvements and additions costing \$5,000 or less shall ordinarily not be capitalized, but shall be charged to routine maintenance expense.
4. The City Manager is authorized to make a determination on a cash basis for application of the capitalization criteria with respect to the acquisition of non-expendable personal property, in these instances where the dollar value and/or anticipated useful life is less than reflected in paragraphs 1 or 2 above, but where capitalization of the specific equipment purchased would afford, within reasonable limits, more desirable administrative control over the equipment.

### Recording Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

**Property Depreciation** Assets are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	20 to 40 years
Buildings and building improvements	7 to 50 years
Water and sewer distribution systems	20 to 40 years
Land improvements	20 to 40 years
Vehicles	5 to 20 years
Furniture and fixtures	5 to 7 years
Other tools and equipment	3 to 7 years