



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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**CFO DIRECTIVE
No. 2018-105-005A**

SUBJECT: Fixed Asset Policy
ISSUANCE DATE: December 11, 2018
EFFECTIVE DATE: December 11, 2018
REVISED DATE: May 06, 2020

1. AUTHORITY

1.1. State of Michigan Public Act 279 of 1909, Section 4s(2) states the Chief Financial Officer shall supervise all financial and budget activities of the City and coordinate the City's activities relating to budgets, financial plans, financial management, financial reporting, financial analysis, and compliance with the budget and financial plan of the City.

2. OBJECTIVES

2.1. To ensure the City appropriately records all property assets acquired. Adherence to this Directive is essential to ensure the City meets its objectives for timely and reliable financial reporting.

3. PURPOSE

3.1. To establish the City of Detroit's ("City") capitalization policy for property acquired.

4. SCOPE

- 4.1. This Directive applies to all Departments, Divisions and Agencies.
- 4.2. This Directive applies to all real, personal and intangible property acquired through purchase, construction, exchange or donation.

5. RESPONSIBILITIES

- 5.1. The Deputy Chief Financial Officer-Controller/Chief Accounting Officer shall implement and periodically update this Directive.
- 5.2. City management in various Departments, Divisions and Agencies shall monitor their operations to ensure adherence to this Directive.

6. POLICY

- 6.1. Real, personal, and intangible property acquired by the City shall be capitalized and recorded as capital assets if all the following conditions are met:
 - 6.1.1. The value of the property acquired is equal to or greater than the City's capitalization threshold as defined in the table below.
 - 6.1.2. The asset has an estimated useful life greater than one (1) year
 - 6.1.3. The asset is not a stock item or an item slated for sale.

Capitalization Thresholds	
Asset Category	Threshold
Land, land improvements, land rights and easements	Record All
Buildings and building improvements	\$5,000
Structures and structure improvements	\$5,000
Infrastructure	\$50,000
Personal property including machinery and equipment and software development and licenses	\$5,000
Buses and vehicles other than buses	\$5,000
Library materials and rare materials, including works of art and historical treasures	Record All
Intangible Assets	\$5,000
Leasehold improvements	\$5,000

- 6.2. All capital asset transactions processed through A/P must be reviewed on an ongoing basis and either deleted or recorded into the City's Capital Asset System by the 7th calendar day of the subsequent month.
- 6.3. The City shall use the Oracle Cloud Capital Asset System to record all capital assets. Oracle Cloud shall replace all legacy capital asset systems.
- 6.3.1. Capital assets related to grants shall be segregated and tracked separately in the Capital Asset System. Assets purchased with Federal funds will be identified via the grant fund associated with the Department to which the capital assets belong. The following data for each fixed asset purchased with Federal grant funds must include: a description of the property, the serial number or other identification number, the source of funding, who holds title, the acquisition date, the cost and the percentage of Federal participation in the cost of the property, the location of the property, the condition and use, and any ultimate disposition data, including the disposition date and sale price of the property. This data will be reviewed by management to ensure completeness of the required data fields.
- 6.4. Property acquired that does not meet the City's capitalization criteria, shall be immediately expensed in the accounting period acquired, except for:
- 6.4.1. Property with a useful life of more than one year and a total unit cost of \$1,000 - \$4,999, these shall be tagged and recorded in the Capital Asset System as a controlled asset that is tracked, but shall not be capitalized or depreciated.
- 6.5. Personal property capital assets shall be properly tagged in accordance with City guidelines.
- 6.6. At the direction of the Office of the Controller, capital assets including assets acquired with State and Federal funds, shall be subject to physical inventory count procedures at least once every two years to serve as a basis for preparation of the City's financial statements, and if applicable, to ascertain reliability of the City's perpetual inventory system. Note, this bi-annual requirement can be rescinded at the discretion of the City's Chief Accounting Officer, in which case alternative

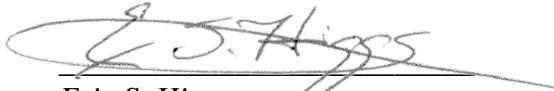
procedures will be performed to ensure the validity, accuracy and completeness of the Capital assets at year-end.

- 6.6.1. The City will, as its discretion, outsource to a qualified vendor to carry out the physical inventory process. The final review and approval of any outsourced inventory process will follow the protocol in step 7.6.
- 6.7. The results of the physical inventory will be reconciled to the City's Fixed Assets Records. The reconciliation will be prepared by Office of the Controller Staff, and will be reviewed and approved by Office of the Controller Management and Supervisory Staff.
- 6.8. All supporting documentation will be kept on file in accordance with Federal and State record retention policies for future auditing purposes.

7. DEFINITIONS

- 7.1. *Capital Assets*: real, personal, and intangible property having a useful life of greater than one year and meeting other City designated criteria.
- 7.2. *Capitalization*: the process of recording property as a capital asset in the City's Capital Asset System (i.e. Oracle Cloud) and expensing its cost over time (i.e. useful life) through depreciation or amortization expense (rather than expensing the property cost immediately when acquired).
- 7.3. *Intangible Property*: any property that is non-physical such as computer software, land rights and easements, licenses and permits, and patents, copyrights and trademarks.
- 7.4. *Oracle Cloud Capital Asset System*: the City's financial system for recording and accounting for all capital assets.
- 7.5. *Personal Property*: generally, any property that is movable, as opposed to real property. Personal property includes machinery and equipment, library books and reference materials, and rare materials, works of art and historical treasures.
- 7.6. *Real Property*: any property that is attached directly to land, as well as land itself. Real property includes land and improvements, building and improvements, structures other than buildings and improvements, infrastructure, and leasehold improvements.

APPROVED



Eric S. Higgs

Deputy CFO- Controller / Chief Accounting Officer, City of Detroit