

CHARTER TOWNSHIP OF HIGHLAND  
OAKLAND COUNTY, MICHIGAN  
FIXED ASSET CAPITALIZATION POLICY  
Adopted: July 12, 2021

The Charter Township of Highland will regard fixed assets as capitalized when all of the following criteria are met:

- (1) Assets purchased, built or leased have useful lives of one year or more.
- (2) The cost of the asset (including installation) is \$5,000 or more. Multiple assets whose cost is less than \$5,000 but the aggregate requestor total is \$25,000 or more are capitalized.
- (3) The cost of repairing or renovating the asset is \$5,000 or more and prolongs the life of the asset.

The Township will regard the purchase software programs as fixed assets subject to the above capitalization policy and will amortize over an estimated useful life of 3 years. Costs associated with software maintenance and customer support are considered expenditures and will not be capitalized.

Other Considerations:

- (1) REPAIR is an expenditure that keeps the property in ordinary efficient operating condition. The cost of the repair does not add to the value or prolong the life of the asset. All repair expenditures are charged to the appropriate department and fund.
- (2) IMPROVEMENTS are expenditures for additions, alterations and renovations that appreciably prolong the life of the asset, materially increase its value or adapt it to a different use. Improvements of this nature are capitalized.

Examples of Repairs vs. Improvements

Repairs = Expenditures

All items—life less than one year

All items under \$5,000

Property maintenance, wall repair

Replacement of machine parts to keep machine in normal operating condition

Property restoration (rebuilding) for normal operations

Existing building repairs

Replacement of small sections of wiring, pipes or light fixtures

Patching walls, minor repair of floors, painting, etc.

Patching driveways

Cleaning drapery, carpet, furniture

Improvements = Capitalized Assets

Life of more than one year

All items \$5,000 or more

Property rebuilding

Replacement of motor and parts that prolong the useful life

Property restoration for something different or better

Building regulation conformity

Major replacement of wiring, lighting, pipes or sewer


Installation of floor, wall, roof, wall-covering, etc.

New driveway or major repair

New drapery, carpets, furniture

Depreciation will be calculated on a straight-line basis over the asset's useful life according to accepted accounting standards.

This policy was adopted by the Highland Township Board of Trustees at a regular meeting held on July 12, 2021 at which were present: Hamill, Flowers, Frederick, Cooper, Howe, Lewis, and Salvia and none were absent. The motion was made by Mrs. Flowers and supported by Mrs. Cooper and carried with a unanimous roll call vote:

  
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Tami Flowers MiPMC, Clerk