

ORDINANCE NO. 2018-12

AN ORDINANCE ESTABLISHING A CAPITAL ASSET POLICY

WHEREAS, the City of Lebanon, Indiana (“City” or “Lebanon”) is a duly formed municipal corporation within the State of Indiana, governed by its duly elected Mayor and Common Council (“Council”); and

WHEREAS, the Council and the Mayor have been advised by the Indiana State Board of Accounts of the necessity of creating a Capital Asset Policy; and

WHEREAS, the Council and the Mayor believe the creation of such a policy in order to track and keep an inventory of the assets belonging to the City is in the best interests of the citizens of the City and efficient City administration.

NOW, THEREFORE, BE IT THEREFORE ORDAINED by the Common Council of the City of Lebanon, Indiana that said City's Capital Asset Policy shall be as follows:

SECTION I

General Information

The Fixed Asset Policy is being issued retroactive effective January 1, 2018. The new policy will be referred to as the **Capital Asset Policy**. This Policy is being issued to document the minimum value of capital assets to be reported on our financial reports and to include infrastructure assets. This issuance of a policy document is related to the implementation of a new reporting model, Governmental Accounting Standards Board Statement 34. Statement 34 will require the City to depreciate capital assets. The capital asset threshold will be \$5,000. An asset with a value under \$5,000 will be expensed in the year of purchase. The infrastructure portion of this policy is also effective January 1, 2007.

City Stormwater Utility will follow this same definition of capital assets except any item with a unit cost of \$5,000 or more shall be capitalized. Assets that are not capitalized (items < \$5,000) are expensed in the year of acquisition. City Stormwater Utility will follow the capitalization guidelines of the Indiana State Board of Accounts.

The City of Lebanon is, by this Ordinance, establishing a Capital Asset Policy in order to provide a higher degree of control over its considerable investment in capital assets, and to be able to demonstrate accountability to its various constituencies: citizens, rate-payers, oversight bodies and regulators. All public information pertaining to capital assets will be made available in the Comprehensive Annual Financial Report (CAFR).

The purpose of establishing a Capital Policy is fivefold:

1. to safeguard the investments of the citizens of Lebanon,
2. to fix responsibility for the custody of equipment,
3. to provide a basis for formulating capital asset acquisition, maintenance and retirement policies,
4. to provide data for financial reporting,
5. to demonstrate appropriate stewardship responsibility for public assets.

This policy will only serve to classify capital assets, including fixed and infrastructure, for accuracy in financial reporting through the Indiana State Board of Accounts. It does not include data processing, programming requirements, or computer operations procedures.

SECTION II

Definition of Capital Assets

Capital assets include: land, land improvements, including monuments, buildings, building improvements, construction in progress, machinery and equipment, vehicles and infrastructure. All land will be capitalized but not depreciated. All items with a useful life of more than one year, and having a unit cost of \$5,000 or more shall be capitalized (including acquisitions by lease-purchase agreements and donated items). A capital asset meeting the criteria will be reported and depreciated in the government-wide financial statements.

Assets that are not capitalized (items < \$5,000) are expensed in the year of acquisition. An inventory will be kept on all computers and other equipment with a capitalized cost of < \$5,000. (See Section VIII)

Exceptions are:

1. items costing less than the above limits which are permanently installed as a part of the cost of original construction or installation of a larger building or equipment unit will be included in the cost of the larger unit,
2. modular equipment added subsequent to original equipment construction of a larger building or equipment unit which may be put together to form larger units costing more than the prescribed limits will be charged to capital assets even though the cost of individual items is less than such units,
3. cabinets, shelving, bookcases, and similar items, added subsequent to original construction, which are custom made for a specific place and adaptable elsewhere, will be capitalized.

Purchases made using grant funds must comply with grant requirements or the above procedures, whichever are the most restrictive.

SECTION III

Threshold levels for capital assets

The following schedule will be followed for the different types of capital assets other than infrastructure assets:

Asset Type	Capitalize/Depreciate
Land	All/Capitalize only
Land Improvements	\$5,000 >
Building	\$5,000 >
Building Improvements	\$5,000 >
Construction in Progress	All/Capitalize only
Machinery & Equipment	\$5,000 >
Vehicle	\$5,000 >
City Stormwater Utility Assets	\$5,000 >

SECTION IV

Valuation of Capital Assets

Capital assets must be recorded at actual cost. Normally the cost recorded is the purchase price or construction costs of the asset, but also included is any other reasonable and necessary costs incurred to place the asset in its intended location and intended use. Such costs could include the following:

- legal and title fees, closing costs,
- appraisal and negotiation fees, surveying fees,
- damage payments,
- land preparation costs, demolition costs,
- architect, engineering and accounting fees,
- insurance premiums during construction,
- transportation charges,
- interest costs during construction

Donated or contributed assets should be recorded at their fair market value on the date donated.

SECTION V

Asset Definitions by Major Category

It is important to the maintenance of accurate records that each asset category be precisely defined and that all persons responsible for records maintenance are fully aware of the categorization system. This section further clarifies the asset definitions by major category.

Land

Land is defined as specified land, lots, parcels or acreage including rights of way, owned by the City of Lebanon, its various departments, boards or authorities, regardless of the method or date of acquisition. Easements will not be included as the City does not own them, but as an interest in land owned by another (Le. property owner) that entitles its holder to a specified limited use.

Improvements Other Than Buildings

Examples of City assets in this category are walks, parking areas and drives, fencing, retaining walls, pools, fountains, planters, underground sprinkler systems, and other similar items.

Examples of City Stormwater Utility assets in this category are storm sewers, dams, fences, intake pipes, and manholes.

Buildings

All structures designed and erected to house equipment, services, or functions are included. This includes systems, services, and fixtures within the buildings, and attachments such as porches, stairs, fire escapes, canopies, areaways, lighting fixtures, flagpoles, and all other such units that serve the building.

Plumbing systems, lighting systems, heating, cooling, ventilating and air handling systems, alarm systems, sound systems, surveillance systems, passenger and freight elevators, escalators, built-in casework, walk-in coolers and freezers, fixed shelving, and other fixed equipment are included with the building, if owned.

Communication antennas and/or towers are not included as buildings. These are parts of the equipment units that they serve.

Equipment

Equipment includes all other types of physical property within the scope of the Fixed Asset Management System not previously classified. Included within this category are office mechanical equipment, office furniture, appliances, furnishings, machinery items, maintenance equipment, communication equipment, police, fire, sanitation and park department, laboratory equipment, vehicles, road equipment, aircraft, emergency equipment, earth moving equipment, text equipment, civil defense equipment, and data processing equipment. All supplies are excluded.

Infrastructure

Infrastructure assets are long-lived capital assets that normally can be preserved for a significant

greater number of years than most capital and that are normally stationary in nature. Examples include roads, streetlights, traffic signals, drainage systems, and water systems. Infrastructure assets do not include buildings, drives, parking lots or any other examples given above that are incidental to property or access to the property above.

Additions and improvements to infrastructure, which increase the capacity or efficiency of the asset, will be capitalized. Maintenance/repairs will be considered as necessary to maintain the existing asset, and therefore not capitalized. For example, patching, resurfacing, snow removal, etc., are considered maintenance activities and will be expensed. Also, normal department operating activities such as feasibility studies, and preliminary engineering and design, will be expensed and not capitalized as an element of the infrastructure asset.

Alleys will not be included as part of infrastructure for the following reason:
Existing improved alleys will be maintained as gravel alleys, and the City is responsible only for the maintenance, such as patching and repairing. Any investments to upgrade the alleys will be done by homeowner participation. Therefore, the City will not track and value alleys, and the patching/repairs will be expensed as they occur.

Retroactive Asset Reporting

The retroactive reporting requirements for infrastructure of GASB 34 requires the City to report items put into service from 1980 forward, and gives the City the option to report items put into service prior to 1980. The City will report only on items put into service after 1980.

SECTION VI

Depreciation Methods

The City will be depreciating capital assets by using the straight-line method. Salvage value will be determined on an asset-by-asset basis. Depreciation will be calculated at fiscal year-end. Land is not depreciated according to general accepted accounting principles.

A network of assets is composed of all assets that provide a particular type of service for government. A subsystem of a network of assets is composed of all assets that make a similar portion or segment of a network of assets. The following will be the breakdown of our networks and subsystems:

Roads/Streets Network

Subsystems: Types of Streets
Curbs and Gutters

Traffic Components Network

Subsystems: Traffic Signals (Controls, Loop Detectors & Sensors)
Street Lights

Straight-line Depreciation

All assets accounted for under the Capital Asset Policy will be depreciated using the straight-line method of depreciation. A gain or loss on disposal will be recorded. Following is a list of the most common useful lives:

<i>Item Description</i>	<i>Useful Life</i>
Vehicles	5 years
Armored Vehicles	15 years
Office Equipment	5 years
Office Furniture	20 years
Heavy Equipment	10 years
Fire Trucks (apparatus, pumper)	15 years
Buildings	50 years
Building Components (HVAC systems, roofing)	20 years
Leasehold Improvements	useful life of asset or lease term (whichever is shorter)
Land Improvements – structure (parking lots, athletic courts, swimming pools)	20 years
Land Improvements – ground work (golf course, athletic fields, landscaping & fencing)	20 years
Outdoor Equipment – (playground equipment, radio towers)	15 years
Grounds Equipment – (mowers, tractors, attachments)	15 years
Computer Hardware	3 years
Computer Software	5 years

Street Lights	35 years
Traffic Signals	25 years
Flood Walls/Gates	50 years
Roads – Gravel	15 years
Roads Portland Cement Concrete	30 years
Asphaltic Concrete	20 years
Brick or Stone	50 years

SECTION VII

Capital Asset Acquisitions

The method of acquisition is not a determining factor. Each department should report items acquired by:

- regular purchases,
- lease purchase -see below,
- construction by City personnel,
- construction by an outside contractor,
- resolution/condemnation,
- donation/contribution,
- addition to an existing asset,
- transfer from another department,
- trade or barter,
- annexation

Leased equipment should be capitalized if the lease agreement meets anyone of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term
- The lease contains a bargain purchase option
- The lease term is equal to 75 percent of the estimated economic life of the leased property
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased property.

Leases that do not meet any of the above criteria should be recorded as an operating lease and reported in the notes of the financial statements.

SECTION VIII

Asset Transfers and Dispositions

Property should not be transferred, turned-in for auction, or disposed of without prior approval of the department head. A Vehicle/Equipment Outprocessing checklist should be sent to the City Clerk-Treasurer's Office in all cases. This form is a dual-purpose form for transfer (defined as any movement of an asset by virtue of change in location, either by account, department, building, floor, or room) or retirement (disposal) of property.

The main points to be remembered when using this form are:

- always provide sufficient detail to properly identify the asset, most importantly the asset's tag number or City ID
- be accurate and do not overlook any of the needed entries
- write legibly
- complete each column for every asset listed on the form
- enter information in correct row, depending on whether you are transferring or deleting an asset
- have Department Head sign at the bottom of the form
- return the form to the City Clerk-Treasurer's Office

If an asset is stolen, the department should notify the Safety Manager as well as the City Clerk-Treasurer's office.

SECTION IX

Periodic Inventories

A physical inventory of all capital assets (any item over \$5,000) will be conducted in each department on or about December 31 of every year. The City Clerk-Treasurer's office will conduct spot checks on a random basis. Department heads will be accountable for the capital asset inventory charged to their departments by verifying a list of their capital assets at year-end.

SECTION X

Responsibilities of Clerk-Treasurer's Office

The Fiscal Officer will ensure that accounting for capital assets is being exercised by establishing a capital asset inventory, both initially and periodically in subsequent years. The Fiscal Officer will further ensure that the capital asset report will be updated annually to reflect additions, retirements, and transfers and to reflect the new, annual capital asset balance for financial reporting purposes and the annual and accumulated depreciation calculation.

SECTION XI

Responsibilities of Department Heads

It is the responsibility of the department head to act as or designate a steward for each piece of property. The steward will become the focal point for questions regarding the availability, condition, and usage of the asset, as well as the contact during the physical inventory process.

The steward shall be designated as the person to record the receipt of the asset, to examine the asset to make sure that no damage was incurred during shipment and to make sure that the asset was received in working order.

The steward is also responsible for arranging for the necessary preventative maintenance and any needed repairs to keep the asset in working condition. It is necessary to have a responsible person available for questions that arise during a physical inventory or when someone wants to borrow the asset. The steward ensures that the asset is used for the purpose for which it was acquired and that there is no personal or unauthorized use. In addition, the steward should report any property damage or theft.

SECTION XII

This Ordinance shall remain in full force and effect from and after its passage and posting of said Ordinance in three (3) public places within the City of Lebanon, Indiana. This Ordinance replaces and repeals any previous Ordinance for Capital Assets.

ALL OF WHICH IS ADOPTED this 13 day of August, 2018 by the Lebanon
Common Council of the City of Lebanon, Indiana.

Voting For

Voting Against

Abstain

ABSENT

Keith Campbell

Keith Campbell

Keith Campbell

John Copeland

John Copeland

John Copeland

John Copeland

Dan Fleming

Dan Fleming

Dan Fleming

Dan Fleming

Mike Kincaid

Mike Kincaid

Mike Kincaid

Mike Kincaid

NOT Present

Corey Kutz

Corey Kutz

Corey Kutz

Dick Robertson

Dick Robertson

Dick Robertson

Dick Robertson

ABSENT

Brent Wheat

Brent Wheat

Brent Wheat

ATTEST:

Tonya Thayer

Tonya Thayer, Clerk-Treasurer

I hereby certify that ORDINANCE 2018-12 was delivered to the Mayor of Lebanon on the 13 day of August, 2018, at 7:38 p.m.

Tonya Thayer
Tonya Thayer, Clerk-Treasurer

I hereby APPROVE ORDINANCE 2018-12 this 14 day of August, 2018, at 3:55 p.m.

Matthew T. Gentry
Matthew T. Gentry, Mayor

I hereby VETO ORDINANCE 2018-12 this _____ day of _____, 2018, at _____:_____m.

Matthew T. Gentry, Mayor

ATTEST:

Tonya Thayer
Tonya Thayer, Clerk-Treasurer