

ORDINANCE ESTABLISHING A CAPITAL ASSET POLICY

WHEREAS, it has been determined that it is now necessary desirable to establish a Capital Asset Policy for the City Of Rockport, Indiana (the "City") and its various departments and utilities as required by the Indiana State Board of Accounts; and

WHEREAS, the Common Council of the City of Rockport ("Common Council") remains committed to ensuring compliance with various accounting and financial reporting standards, including Generally Accepted Accounting Principals (GAAP), Governmental Accounting, Auditing, and Financial Reporting (GAAFR), and the Governmental Accounting Standards Board (GASB) and to meet any applicable State and Federal capital asset regularoty reporting requirements;

NOW, THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF ROCKPORT, INDIANA AS FOLLOWS:

CAPITAL ASSET POLICY

- 1) General Information
- 2) Definition of Capital Assets
- 3) Valuation of Capital Assets
- 4) Asset Definition by Major Category
- 5) Depreciation Methods and Salvage Value
- 6) Capital Asset Acquisition
- 7) Asset Transfers and Dispositions
- 8) Periodic Inventories
- 9) Responsibilities of City Clerk Treasurer
- 10) Responsibility of Department Heads

1) General Information

The Capital Asset Policy will be effective January 1, 2023. The Capital Asset Policy documents the minimum value of capital assets to be reported on the City of Rockport's Annual Financial Report. The Capital Asset Policy follows the Government Accounting Standards Board (GASB) Statement 34. The City will be required to depreciate capital assets. The minimum capital asset threshold will be \$5,000. An asset valued less than \$5,000 will be expensed in the year of the purchase.

The Capital Asset Policy will serve to classify capital assets for accuracy in financial reporting through the Indiana State Board of Accounts.

2) Definition of Capital Assets

Capital assets include land, infrastructure, buildings, improvements other than buildings, machinery, equipment, and vehicles, construction in progress, and other capital assets. All

capital assets will have useful lives of more than one year and a unit cost of \$5,000 or more. All land will be capitalized but not depreciated.

Items costing less than \$5,000 which are permanently installed as a part of the cost of original construction or installation of a larger building or unit of equipment will be included in the cost of the larger unit.

Purchases made with grant funds must comply with grant requirements if the grant requirements are more restrictive.

The following table contains the capitalization thresholds for capital assets.

Capital Asset Major Category	Capitalization Thresholds
Land	All
Buildings	\$5,000
Improvements Other Than Buildings	\$5,000
Machinery, Equipment, & Vehicles	\$5,000
Infrastructure	\$20,000
Construction in Progress	All
Other Capital Assets	\$10,000

3) Valuation of Capital Assets

Capital assets should be recorded at historical cost. The cost normally includes the purchase price or construction costs of the asset, but it also should include any reasonable and necessary costs incurred to place the asset in its intended location and its intended use. Such costs could include the following: freight, site preparation, fees (architectural, engineering, legal, appraisal, and surveying), demolition, interest, and other reasonable costs.

Donated or contributed assets should be recorded at fair market value on the date of acquisition.

4) Asset Definition by Major Category

Land – specified land, lots, parcels, or acreage including rights of way owned by the City of Rockport, its various departments, boards, or authorities, regardless of the method or date of acquisition.

Improvements Other Than Buildings – assets such as parking areas, fencing, retaining walls, pools, fountains, planters, underground sprinkler systems, and other similar items. For utility assets, this category would include all equipment and facilities required and used to deliver public water to the users, and all equipment and facilities used to collect, treat, and dispose of sewage for a sanitary sewer operation.

Plumbing systems, lighting systems, heating, cooling, ventilation, and air handling systems, alarm systems, sound systems, surveillance systems, elevators, escalators, walk-in coolers and freezers, fixed shelving, and other fixed equipment are included with the building.

Machinery, Equipment, and Vehicles – assets that are primarily movable items. Included in this category are office equipment, office furniture, appliances, furnishing, machinery items, maintenance equipment, communication equipment, police, fire, and park equipment, laboratory equipment, vehicles, road equipment, aircraft emergency equipment, earth-moving equipment, and data processing equipment. All supplies are excluded.

Infrastructure – assets that are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. 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.

Other Capital Assets – capital assets that do not fit into any of the other major categories listed above (e.g. certain software, intellectual property, etc.).

5) Depreciation Methods and Salvage Value

Depreciation represents the recognition of the cost of an asset over time by calculating its estimated loss in value during each year. Generally, at the end of the asset's life, the sum of the amounts charged for depreciation in each year (accumulated depreciation) will equal the original cost less salvage value.

The salvage value of an asset is the value it is expected to have when it is no longer useful for its intended purpose. The City assumes a salvage value of \$0 but may evaluate on an asset-to-asset basis.

The City of Rockport depreciates the majority of its capital assets using the Straight-Line Method. Under this method, the same amount of depreciation is deducted from the value of an asset every year for its useful life. The City takes the full year of depreciation of a capital asset in a year of acquisition and recognizes no salvage value (book value of a capital asset after all depreciation has been fully expenses). Land and Construction in Progress are capital asset categories that are not depreciated. Construction in Progress assets become another category of assets once the asset is substantially ready to be placed in service.

The City depreciates its infrastructure capital assets using the group or composite methods of depreciation. The group or composite methods of depreciation apply a single straight-line depreciation rate and average useful life to the calculation of depreciation for a group of assets.

Estimated Useful Lives

Land N/A
Buildings and Improvements to Buildings 50 years
Machinery and Equipment 5 years
Automobiles 5 years
Light Trucks 8 years
Heavy Truck 15 years
Paths and Trails 15 years
Parking Lots 15 years
Retaining Walls 15 years
Lighting Systems 15 years
Plazas and Pavilions 15 years
Fencing 50 years
Water Features 15 years
Roads 50 years
Water/Sewer Systems 50 years
Sidewalks 15 years
Construction in Progress N/A

6) Capital Asset Acquisition

The method of acquisition of a capital asset is not a determining factor. Each department shall report capital assets acquired by any of the following:

Regular purchases
Construction by City personnel
Construction by an outside contractor
Resolution/Condemnation
Donation/Contribution
Addition to and existing asset
Transfer from another department
Trade/Barter
Annexation
Lease Purchase

Leased equipment should be capitalized if the lease agreement meets any one 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 terms is equal to 75% of the estimated economic life of the leased property.
The present value of the minimum lease payments at the inception of the lease (excluding Executor costs) equals at least 90% of the fair-market value of the leased property.

Leases that do not meet any of the above criteria are considered operating leases.

7) Asset Transfers and Dispositions

Capital assets should not be transferred, sent to auction, or disposed of without prior approval of the Department Head and consent from the Common Council. A list of the capital assets being transferred or disposed of should be sent to the Clerk-Treasurer prior to transfer or disposal. Notification should be given if the asset changes location or is retired/disposed.

8) Periodic Inventories

A physical inventory of all capital assets will be conducted in each department annually at a minimum. The inventory will be conducted on or before December 31 each year by the City Clerk-Treasurer. Department Heads will be accountable for the capital asset inventory of their department by verifying a list of capital assets prior to year end.

9) Responsibilities of Clerk-Treasurer

The City's Clerk-Treasurer will ensure that capital assets are being accounted for by establishing a capital asset inventory, both initially and annually in subsequent years. The Clerk-Treasurer will further ensure that the capital asset report will be updated annually to reflect additions, reductions, and transfers. The Clerk-Treasurer will also report annual capital asset balances as required by the State Board of Accounts on the City's Annual Financial Report.

10) Responsibilities of Department Heads

It is the responsibility of the Department Head to keep an accurate record of the department's capital assets. The Department head or a designee will act as the contact during the physical inventory process. Someone within the department shall be designated by the Department Head to record the receipt of the asset at time of acquisition and to follow the procedures above at the time the asset is transferred or disposed of. The Department Head or a designee shall act as a steward for each capital asset while it is owned and used by the department. In addition, any damage or theft of a capital asset shall be reported to the Department Head and Clerk-Treasurer within a reasonable amount of time.

SEVERABILITY

Should any sentence, clause, phrase, or portion of this Ordinance for any reason be held illegal, invalid, or unconstitutional by decision of any court or competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision and such holding shall not affect the validity of the remaining portions hereof.


EFFECTS OF ADOPTION ON PRIOR ORDINANCE

This ordinance supersedes all other ordinances or parts of ordinances regarding capital asset policies which are in conflict with its provisions, and any such ordinance is hereby repealed. The

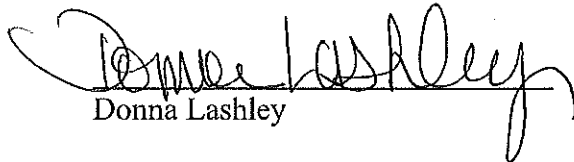
expressed or implied repeal of amendment by the ordinance of any other ordinance or part of any other ordinance does not affect any rights or liabilities accrued, penalties incurred, or proceedings begun prior to the effected date of this ordinance. The rights, liabilities, and other proceedings all continued, and penalties shall be imposed and enforced under the repealed or amended ordinance as if this ordinance had not been adopted.

Passed and adopted by the Common Council of the City of Rockport on the ____ day May, 2024, by a vote of ____ in favor and ____ against.

COMMON COUNCIL OF THE
CITY OF ROCKPORT, INDIANA



Connie L. Hargis

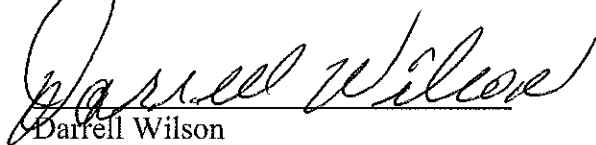


Donna Lashley

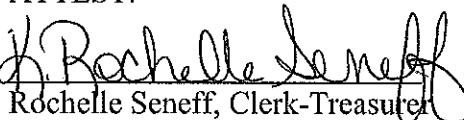
Todd Hayes



Joseph Carpenter



Darrell Wilson

ATTEST:


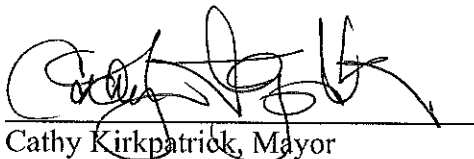
Rochelle Seneff, Clerk-Treasurer

Presented by me to the Mayor of the City of Rockport, Indiana on the 9th day of May, 2024 at 5:00 p. m.



Rochelle Seneff, Clerk-Treasurer

This ordinance approved and signed by me, the Mayor of the City of Rockport, on the ~~5th~~ 9th day of May, 2024 at 5:58 p. m.



Cathy Kirkpatrick, Mayor