Capital Asset Policy

Section 1: General Information

The Capital Asset Policy was issued effective January 1, 2003 and was revised effective February 3, 2006. The Policy was issued to document the minimum value of capital assets to be reported on our financial reports and to include infrastructure assets. The 2006 version was issued to implement the new reporting model outlined in Governmental Accounting Standards Board Statement 34. GASB 34 required the Town to depreciate capital assets. The capital asset threshold was set at $5,000.00. An asset with a value under $5,000.00 was expensed in the year of purchase. The purpose of the June 2023 revision is to raise the capital asset threshold to $25,000.00 per unit. The infrastructure portion of this policy was effective January 1, 2003 and remains unchanged.

The Town Water utilities will follow this same definition of capital assets.

The Town of Munster has established 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, ratepayers, oversight bodies and regulators. Public information pertaining to capital assets will be available in the Annual Financial Report (AFR).

The purpose of establishing a Capital Policy is fivefold:

1. To safeguard the investments of the citizens of Munster
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 2: Definition of Capital Assets

Capital assets include: land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, 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 $25,000.00 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 less than $25,000.00) are expensed in the year of acquisition. An inventory will be kept on all computers, printers, cell phones, portable radios, weapons, police vests, meters, pool equipment, and items required to be registered with the Bureau of Motor Vehicles with a capitalized cost of less than $25,000.00 per unit. (See Section 8)

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 not adaptable elsewhere, will be capitalized.

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

Threshold levels for capital assets

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

Capitalize/Depreciate

Land	All/Capitalize only
Land Improvements	$25,000.00
Building	$25,000.00
Building Improvements	$25,000.00
Construction in Progress	All/Capitalize only
Machinery and Equipment	$25,000.00
Town Utility Assets	$25,000.00

Section 3: 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 are 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, and interest costs during construction. Donated or contributed assets should be recorded at their fair market value on the date donated.

Section 4: Asset Definitions by Major Category

It is important for the maintenance of accurate records that each asset category be precisely defined and that all persons responsible for records maintenance be 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 Town of Munster, its various departments, boards or authorities, regardless of the method or date of acquisition. Easements will not be included as the Town does not own them, but has an interest in land owned by another (i.e. property owner) that entitles its holder to a specified limited use.

Improvements Other Than Buildings

Examples of Civil Town 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 Town Utility assets in this category are water supply and transmission mains and appurtenances, collection sewers and appurtenances, wells, dams, fences, intake pipes, manholes, fire hydrants, and monuments.

Buildings and Building Improvements

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.

Machinery and Equipment

Equipment includes all other types of physical property within the scope of the Capital Asset Management System not previously classified. Included within this category are office equipment, office furniture, appliances, furnishings, machinery items, maintenance equipment, communication equipment, police, fire, public works and park department equipment, vehicles, road equipment, emergency management equipment, earth moving equipment, and data processing equipment. All supplies are excluded.

Infrastructure

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

The retroactive reporting requirements for infrastructure of GASB 34 requires the Town to report items put into service from 1980 forward and gives the Town the option to report items put into service prior to 1980. The Town will report only on items put into service after 1980. Retroactive reporting was mandated beginning with fiscal year January 1, 2006. The Town is in compliance with these requirements.

Section 5: Depreciation

The Town 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 year-end. Land is not depreciated according to generally 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 up 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
Alleys

Traffic Components Network
Subsystems: Traffic Signals
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:

- Marked Police Vehicles – 3 years
- Unmarked Police Vehicles – 3 years
- Automobiles other than police vehicles – 3 years
- Light-, Medium- and heavy-duty trucks – 5 years
- Office Equipment – 6 years
- Heavy Equipment – 10 years
- Fire Trucks – 15 years

- Buildings – 50 years
- Building Components (HVAC systems, roofing, generators) – 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
- Computer Hardware – 3 years
- Computer Software – 3 years

Town Water Utility useful lives are as follows:

- Buildings and Improvements – 50 years
- Transmission and Distribution Mains – 50 years
- Hydrants – 50 years
- Pumping Equipment – 50 years
- Water Treatment Equipment – 50 years
- Reservoirs/Tanks – 50 years
- Land Improvements – 50 years
- Meters – 20 years
- Furniture and Equipment – 10 years
- Other Equipment – 10 years
- Transportation Equipment – 7 years
- Shop and Lab Equipment – 5 years
- Computer Equipment – 3 years
- Communications Equipment – 7 years

Section 6: 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 Town personnel
- Construction by an outside contractor
- Resolution/condemnation
- Donation/contribution
- Addition to an existing asset
- Transfer from another department
- Trade or barter

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 term 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 executory costs, equals at least 90% 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 7: Asset Transfers and Dispositions

Property should not be transferred, turned-in for auction or disposed of without prior approval of the department head and the Town Council. When requesting permission from the Town Council to dispose of an asset, the department must provide a description of the asset including model and serial numbers, year of acquisition, and proposed method of disposal.

If an asset is stolen, the department should notify the Town Manager as well as the Clerk-Treasurer's Office.

Section 8: Periodic Inventories

A physical inventory of all capital assets (any item over $25,000.00) and smaller pieces of equipment as outlined in Section 2 will be conducted in each department on or about December 31 of every year. The 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 9: Responsibilities of the 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 10: Responsibilities of Department Heads

It is the responsibility of the Department Head to act as or designate a steward for each unit 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 Department Head and his/her designee will record the receipt of the asset, examine the asset to make sure that no damage has incurred during shipment, and make sure that the asset was received in working order.

The steward is also responsible for arranging the necessary preventive 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 as outlined in Section 7.