

**MICHIGAN CITY COMMON COUNCIL**

**ORDINANCE NO. 4618**

**CREATING SEC. 2-326 IN THE MICHIGAN CITY MUNICIPAL CODE TO BE  
KNOWN AS THE “CAPITAL ASSET POLICY”**

**WHEREAS**, on December 5, 2001, the Michigan City Common Council adopted Ordinance No. 3859 creating a Capital Asset Policy for the City; and

**WHEREAS**, the Common Council of the City of Michigan City, Indiana, now deems it appropriate and necessary to amend Ordinance No. 3859 and also reference the City’s capital asset policy in the Michigan City Municipal Code; and

**WHEREAS**, the Common Council of the City of Michigan City remains committed to ensuring compliance with various accounting and financial reporting standards, including Generally Accepted Accounting Principles (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 regulatory and reporting requirements related to property.

**NOW, THEREFORE, BE IT ORDAINED**, by the Common Council of the City of Michigan City, Indiana that Sec. 2-326 is hereby created in the Michigan City Municipal Code and shall read as follows:

**Sec. 2-325. Capital Asset Policy.**

There is hereby established a Capital Asset Policy for the City of Michigan City, Indiana. The terms and conditions of said Policy are set forth in Exhibit A, which is attached hereto and incorporated herein.

This Ordinance to be effective upon passage by the Council, approval by the Mayor, any necessary publication, and any necessary approval by the Indiana Department of Local Government Finance.

**INTRODUCED BY:** /s/ Angie Nelson-Deutch, President  
Michigan City Common Council

**CO-SPONSOR:** /s/ Bryant Dabney, Member  
Michigan City Common Council

Passed by the Common Council of the City of Michigan City, Indiana, this 1<sup>st</sup> day of March, 2022 by a vote of 9 to 0.

/s/ Angie Nelson-Deutch, President  
Michigan City Common Council

Approved/Vetoed (circle appropriate action) by me, this 4<sup>th</sup> day of March, 2022.

/s/ Duane Parry, Mayor  
City of Michigan City, Indiana

ATTEST:

/s/ Gale A. Neulieb, Clerk  
City of Michigan City, Indiana

*Prepared by Corporation Counsel upon Request*

## **Exhibit A**

### **CITY OF MICHIGAN CITY CAPITAL ASSET POLICY REVISED**

#### **PURPOSE**

The purpose of this policy includes:

- To facilitate the preparation of the City of Michigan City's Annual Financial Report in accordance with Generally Accepted Accounting Principles (GAAP)
- Manage and account for the acquisition, depreciation and ultimate disposal of the City's capital assets that are used in current operations to provide governmental services
- Support furtherance of the process of financial reporting for account purposes relative to the capital asset provisions of the Governmental Accounting Standards Board Statement NO. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as they relate to capital assets
- Maintain stewardship of the City's significant investment in capital assets
- Establish a basis for the annual reporting of additions and retirements of capital assets making possible the accurate updated of the comprehensive capital asset database
- Make possible the calculation of capital assts beginning and ending balances and depreciation totals for Gateway Reporting
- Manage the City's capital assets and related information economically, efficiently, and effectively in the future

As the Water, Sewer and Storm Sewer Utilities do separate reporting except for the combined Gateway Reporting, they are excluded from this policy.

#### **GENERAL POLICY**

- Individual assets will be capitalized that have an estimated useful life of five (5) years or more and that have a cost more than the thresholds outlined below.
- Assets are to be reported at actual historical cost, when available. In the case of donated assets, the value to be reported is the fair market value at the date acquired by the City. If historical cost (or fair market value for donated assets) is not available, the best estimate of cost will be used. An acceptable method for estimating cost will be to determine the current replacement cost and adjusting that amount to the year of acquisition using construction or inflation indices.
- Asset improvements costing more than the appropriate threshold are to be capitalized if:
  - The estimated useful life of the asset is extended by more than 25%.
  - The cost results in an increase in the capacity of the asset.
  - The efficiency of the asset is increased by more than 10%.
  - The character of the asset<sup>6</sup> is significantly changes; or
  - In the case of streets and roads if the work done impacts the 'base' structure.
- Assets recorded by the City on December 31, 2001, that fall below the thresholds outlined below, will be removed from the City's records.
- Depreciation will be calculated using the straight-line method over the estimated useful life of the asset. One year's depreciation will be recorded in the year of acquisition and no depreciation will be recorded in the year of disposition or at the expiration of the estimated useful life. Land, works of art, historical treasures and construction-in-progress are not to be depreciated.

#### **ESTIMATED USEFUL LIFE**

- Land – not depreciated

- Land Improvements – 15 years
- Buildings and Structures – 50 years
- Building Improvements – 20 years
- Vehicles under 6,000 Pounds – 5 years
- Vehicles Over 6,000 Pounds - 10 years
- Other Major Equipment – 20 years
- Office/Telecommunications Equipment – 4 years
- Furniture – 10 years
- Infrastructure – 50 years
- Construction in Progress – not depreciated

## **OTHER ITEMS FOR CLARIFICATION**

- Capitalization of Infrastructure – the following networks and subsystems may be capitalized using the following methods to determine costs when actual historical cost is not available:
  - Streets and Roads (including curbs and sidewalks) -lane mile by composition
  - Traffic Signals – by unit
  - Street Lighting – in groups by type
  - Water, Sanitary Sewer and Storm Water Systems – lineal foot by size and type
  - Trails and Pathways – lineal foot by type and composition
  - Piers and Docks – by number and size of mooring
- Asset improvements that fall below the capitalization threshold are considered to be repairs and/or maintenance.
- Street improvements that do not affect the “base” structure are considered to be repairs and/or maintenance.
- Easements across private property which were not “purchased” by the City are not to be capitalized since easements are merely the right to a specific limited use and are of no other value to the City.
- A physical inventory of all City assets will be conducted on a no more than biannual basis. Individual department heads will be required to verify the assets under their responsibility and certify the accuracy of the asset listing.

## **ASSET CATEGORIES**

- Land – includes rights of way and easements other than those across private property
- Land Improvement – includes parking lots, fences, pathways, underground storage tanks, sprinkling systems, fountains, athletic fields, golf courses, etc.
- Building and Structures – includes picnic shelters, restrooms, etc.
- Building Improvements – includes major renovations that meet the following criteria:
  - Extends the life of the building by 25%
  - Increases the capacity of the building
  - Changes the character of the building
- Vehicles Under 6,000 Pounds – includes automobiles, light trucks, motorcycles, boats, tractors, etc.
- Vehicles Over 6,000 Pounds – includes fire trucks, dump trucks, bulldozers, road graders, refuse vehicles, backhoes, buses, etc.
- Other Major Equipment – includes water and sewer pumps, etc.
- Office/Telecommunications Equipment – includes computer systems, copiers, telephone systems, audio/visual equipment etc.
- Furniture – includes desks, chairs, conference tables, theatre seating, etc.
- Infrastructure – includes streets, water lines, sanitary sewer lines, storm sewer lines, curbs, guard rails, traffic lights, streetlights, piers and docks, airport runways, bridges, alleys, etc.
- Construction-in-Progress – includes any construction project unfinished as of the date of the financial statement

## **CAPITALIZATION THRESHOLDS**

- Infrastructure - \$100,00
- Buildings and Structures - \$50,000
- Building Improvements - \$20,000
- Land Improvements - \$20,000
- All Other Assets - \$5,000

## **ASSETS PURCHASED WITH FEDERAL FUNDS**

- Assets at or above a threshold of \$5,000 on a unit basis funded with a federal grant are to be reported for federal compliance purposes. To achieve this end a subsidiary list or other indicator is to be establish and maintained annually and includes all such assets currently in use.

## **INVENTORY**

- Assets below the capitalization threshold of \$5,000 but warrant “control” shall be inventoried at the department level and an appropriate list will be maintained. Data elements are to include asset description, location, and other information that assists control deemed relevant.
- Assets below the capitalization threshold but considered sensitive may include but not limited to:
  - Weapons
  - Radios
  - Personal Computers
  - Laptops
  - Printers
  - Fax Machines
  - Small Power Tools
  - Weed Whips
  - Lawn Mowers
  - Other Hand Tools
- The Controller’s Office, at its discretion, may request copies of the inventories and any updated inventories of controllable items to periodically review the information, adherence to policy and the integrity of the data.