

RESOLUTION NO 2024-03

A RESOLUTION ADOPTING A CAPITAL ASSET POLICY

WHEREAS, the Lakeland Regional Sewer District (the "District") is a regional sewer district created pursuant to Indiana Code § 13-26, *et seq.*;

WHEREAS, the District's Board of Trustees (the "Board") serves as the fiscal and governing body of the District;

WHEREAS, the Board wishes to establish a Capital Asset Policy ("Policy") to address the District's investment in property and other capital assets, which comprise a significant resource for the District;

WHEREAS, the Board also wishes to establish this Policy to ensure compliance with the State Board of Accounts ("SBOA") required accounting and financial reporting standards including, Generally Accepted Accounting Principles (GAAP); Governmental Accounting, Auditing, and Financial Reporting (GAAFR); the practices of the Governmental Accounting Standards Board (GASB); and any applicable State and Federal capital asset regulatory and reporting requirements related to capital assets; and

WHEREAS, the Board further wishes to adopt this Policy to set a threshold of \$5,000 for capitalization of assets in order to meet the reporting requirements set forth in Statement No. 34 of the Governmental Accounting Standards Board.

NOW, THEREFORE, BE IT RESOLVED, THAT, the Policy attached hereto and incorporated herein as Exhibit A is adopted and approved in all respects.

ADOPTED this 21ST day of February, 2024, by a vote of:

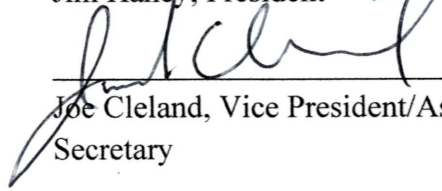
5 "for", 0 "against", and 0 "abstained".

[signatures on following page]

**BOARD OF TRUSTEES OF THE LAKELAND
REGIONAL SEWER DISTRICT**



Jim Haney, President



Joe Cleland, Vice President/Assistant
Secretary

Richard Dan, Secretary

Mike DeWald, Treasurer



Cullen Reece

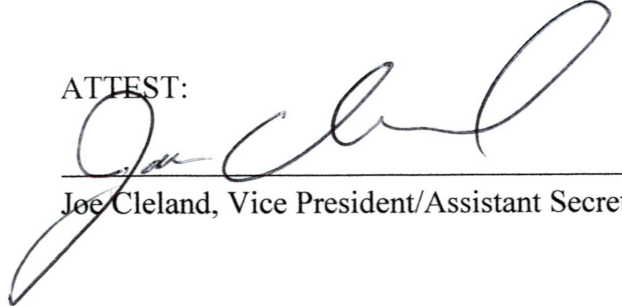


Mark Koehler



Jack Bonewits

ATTEST:



Joe Cleland, Vice President/Assistant Secretary

EXHIBIT A

LAKELAND REGIONAL SEWER DISTRICT CAPITAL ASSET POLICY

Section I: General

1. The Lakeland Regional Sewer District (“District”) has established this Capital Asset Policy (“Policy”) in order to provide a higher degree of control over its investments in capital assets and to be able to demonstrate accountability to ratepayers, oversight bodies, and regulators. This Policy is intended to clarify the definitions of what constitutes, and the methodology for tracking, a capital asset and construction in progress.
2. 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 these criteria will be reported and depreciated in the District’s financial statements.
3. All land will be capitalized, but not depreciated.
4. An asset with a value of less than \$5,000 or not otherwise capitalized shall be expensed in the year of purchase.
5. The purpose of establishing the Policy is:
 - a. To safeguard the investments of the District;
 - b. To fix responsibility for the custody of equipment;
 - c. To provide a basis for formulating capital asset acquisition, maintenance, and retirement policies;
 - d. To provide data for financial reporting;
 - e. To demonstrate appropriate stewardship responsibility for public assets; and
 - f. To provide the District administration with timely information related to capital assets and construction in progress.
6. This Policy is limited to outlining the broad classifications of property, definitions, and methods of creating asset data, acquisitions, transfers, and retirements of the property for which the District is the fiscal agent. It does not include data processing, programming requirements, or computer operation procedures.

Section II: Definitions

1. **Buildings:** all permanent structures designed and erected to house equipment, services, or functions; all 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; and plumbing systems, lighting systems, heating, cooling, ventilating and air-handling systems, sprinkler systems, alarm systems, sound systems, and surveillance systems, built-in casework, fixed shelving, and other fixed equipment are included with the building, if owned; however, communications antennas and/or towers are not included as buildings since they are part of the equipment that they serve.
2. **Capital Assets:**
 - a. Capital assets include land, improvements to land, easements, building improvements, leasehold improvements, vehicles, machinery, equipment, infrastructure, office equipment and furniture, construction in progress, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.
 - b. Exceptions are items costing less than the above limits, which are permanently installed as a part of an existing asset (e.g., buildings or equipment), will be included in the capitalized cost of the existing asset; and cabinets, shelving, bookcases, and similar items added after the original construction, which are custom made for a specific place and not adaptable elsewhere, will be capitalized.
3. **Construction in Progress:** the accumulated costs of District assets that are not useable because they are in the process of being built or assembled. These assets have value because materials and services have been purchased by the District, but the asset itself has yet to be completed or placed into service by the end of the current reporting year. Upon completion, the asset will be removed from construction in progress and added to the appropriate asset account.
4. **Improvements other than Buildings:** improvements to land other than buildings that add value to the land but do not have an indefinite life such as walkways, parking areas and drives, fencing, retaining walls, planters, underground sprinkler systems, and similar items.
5. **Infrastructure:** capital assets that normally can be preserved for a significant greater number of years than most capital assets and that are normally stationary in nature. Examples include collection sewers, transportation force mains, manholes, and lift stations. 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. 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, and snow removal are considered maintenance activities and will be expensed. Also, any normal department

operating activities, such as feasibility studies, will be expensed and not capitalized as an element of the infrastructure, except that the District typically capitalizes preliminary engineering and design with associated construction projects.

6. **Land:** specified land, lots, parcels or acreage, including rights-of-way, owned by the District, its various departments, boards, or authorities, regardless of the method or date of acquisition. Utility, construction, or temporary easements will not be included because they are not owned by the District, but are an impermanent interest in land owned by another that entitles its holder to a specific limited use. Permanent easements acquired by the District are capital assets and are included in the cost of the associated construction project.
7. **Leasehold Improvements:** structural changes to leased facilities that are not portable in nature because ordinarily when the leased facility is vacated, the leasehold improvements are abandoned. The changes may include such investments as rewiring, construction of walled offices, carpeting, and similar changes to the structure of leased facilities.
8. **Machinery and Equipment:** all other types of physical property within the scope of the Policy that were not previously classified, including machinery items, vehicles, generators, general maintenance, emergency, land maintenance, and communication equipment. All supplies are excluded and should be inventoried or expensed.
9. **Office Equipment and Furniture:** furniture and fixtures, data processing equipment, and computer software equipment. Computer software is to be capitalized only if its acquisition cost is more than \$5,000.00. Maintenance contracts and software licenses should be expensed.

Section III: Valuation of Capital Assets

1. Capital assets and construction in progress must be recorded at actual cost. Normally, the cost recorded is the purchase price or construction costs of the asset or project, any other reasonable and necessary costs incurred to place the asset in its intended location and for its intended use are also included. Such costs could include the following:
 - a. Legal and title fees;
 - b. Closing costs;
 - c. Appraisal and negotiation fees;
 - d. Surveying fees;
 - e. Damage payments;
 - f. Environmental studies;
 - g. Site preparation costs;
 - h. Demolition costs;
 - i. Architectural, engineering, and accounting fees;

- j. Professional and consultant fees;
 - k. Costs of supplies;
 - l. Transportation charges;
 - m. Publication of legal advertisements; and
 - n. All ancillary costs that can be directly linked to the project.
2. Donated or contributed assets should be recorded at their fair market value on the date donated.

Section IV: Depreciation Methods

1. Straight-line Depreciation Method

- a. The District will depreciate capital assets by using the straight-line depreciation method. There will be no salvage value. The District will calculate depreciation at year-end. Land is not depreciated according to generally accepted accounting principles. A gain or loss on disposal of land should not be recorded as a gain or loss on the capital asset ledger.

2. Useful Life

- a. The following is a list of the most common useful lives:
 - i. Vehicles – 5 years
 - ii. Office Equipment – 5 years
 - iii. Heavy Equipment – 10 years
 - iv. Buildings – 40 years
 - v. Building Components (HVAC systems, roofing) – 20 years
 - vi. Leasehold Improvements - maximum 10 years, or remaining term of lease
 - vii. Land Improvements – structure (parking lots,) – 25 years
 - viii. Land Improvements – groundwork (landscaping, fencing) – 25 years
 - ix. Outdoor Equipment - (radio towers) 25 years
 - x. Grounds Equipment – (mowers, tractors, attachments) – 5 years
 - xi. Computer Software – 3 years
 - xii. Mains and Services – 65 years
 - xiii. Pump Stations – 20 years
 - xiv. Structure & Improvements – 45 years
 - xv. Pump Equipment – 20 years

- xvi. Treatment Equipment – 15 to 25 years
- xvii. Furniture & Equipment – 10 years
- xviii. Other Equipment – 5 to 10 years
- xix. Transportation Equipment – 7 to 10 years
- xx. Shop & Lab Equipment – 10 to 20 years
- xxi. Computer Equipment – 5 years
- xxii. Communication Equipment – 5 to 10 years
- xxiii. Towers – 50 years
- xxiv. Meters – 20 years
- xxv. Pump Station On-Site Generators – 20 years

Section V: Capital Asset Acquisition

1. The method of acquisition is not a determining factor in determining if the acquisition is a capital asset. District management should report items acquired by:
 - a. Regular purchase;
 - b. Lease purchase agreement-see below;
 - c. Construction by District personnel;
 - d. Construction by an outside contractor;
 - e. Resolution/condemnation;
 - f. Donation/contribution;
 - g. Addition to an existing asset;
 - h. Transfer from another department;
 - i. Trade or barter; or
 - j. Annexation.

2. Leased equipment should be capitalized if the lease agreement meets any one of the following criteria:
 - a. The lease transfers ownership of the property to the lessee at the end of the lease;
 - b. The lease contains a bargain purchase option;
 - c. The lease term is equal to 75 percent or more of the estimated economic life of the leased property; or
 - d. 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 market value of the leased property.

3. Other leases that do not meet the above criteria should be recorded as an operating lease and reported in the notes of the financial statement.
4. Regardless of the method of acquisition, the District shall report acquisition of any capital asset to the appropriate accountant.

Section VI: Disposition of Assets

1. Capital assets should not be transferred, auctioned, or otherwise disposed of without prior approval of the Board.
2. If a capital asset is stolen, the District should immediately notify the accountant.

Section VII: Periodic Inventories

1. A physical inventory of all capital assets (items over \$5,000.00) should be conducted by the District every year.

Section VIII: Responsibilities

1. *Record Keeping*: the District shall be responsible for maintaining and controlling this Policy according to the requirements of the State Board of Accounts and shall ensure that its capital asset report is updated annually to reflect additions, retirements, transfers, and depreciation calculations.
2. *District Management*
 - a. It is the responsibility of the District to act as, or designate, a steward for each piece of property. The steward will become the focal point for questions regarding the asset, as well as during the inventory process.
 - b. The steward is responsible for recording that the asset was received in working condition.
 - c. The steward is also responsible for arranging preventative maintenance and repairs to keep the asset in working condition.
 - d. The steward ensures that the asset is used for the purpose for which it was acquired and that there is no unauthorized use.
 - e. The steward is responsible for maintaining a secure environment to prevent theft or damage to the asset, including small equipment, inventories, and supplies. The steward should report any damage or theft.

Section IX: Completion of Construction in Progress and Recording of Capital Asset

1. The accountant in charge of capital assets will review all construction in progress with the District once per year. Any project not completed in the preceding year will continue to be considered construction in progress and reflected as such on the District's financial statements. The District will review all projects monthly and upon completion the project should be recorded as a capital asset.