

**DATE:** 1/26/2026

**TO:** Alderman Frost, Chair  
Finance and Personnel Committee

**FROM:** Carrie Hagerty

**RE:** **Finance Policies**

The Finance Department regularly reviews best practices, auditor recommendations, and operational needs to determine where policies are needed in our operations. For Council's consideration, we are presenting the following policies for review and approval:

1. Accounting Policy: this is a new policy and effectively memorializes current practice for several general accounting practices
2. Police and Fire Pension Funding Policy: this is also a new policy and one commonly in place in municipalities in Illinois. The policy outlines the City's current practice related to defining and funding required pension contributions.
3. Unclaimed Property Policy: minor updates to an existing policy to incorporate the requirements outside the State of Illinois.
4. Capital Asset Policy: combines our current vehicle replacement policy and surplus property policy with broader capital asset practices to reflect best accounting practice and incorporate some of our current operations.

Please let me know if you have any questions.

**CAPITAL ASSET POLICY  
CITY OF ROCKFORD, ILLINOIS**

January, 2026

**I. Policy**

To establish a comprehensive framework for the acquisition, management, replacement, and disposal of capital assets. This policy is designed to ensure effective control, accountability, and accurate financial reporting in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, Generally Accepted Accounting Principles (GAAP), and Governmental Accounting, Auditing, and Financial Reporting (GAAFR) standards. It also aims to support operational efficiency by promoting the scheduled replacement of vehicles and equipment to maintain a safe, reliable, and cost-effective fleet, while ensuring the responsible and lawful disposal of surplus or obsolete property in a manner that maximizes the return on the City's investment.

**II. Scope**

This Capital Asset Policy applies to all City of Rockford departments, divisions, and agencies involved in the acquisition, management, reporting, replacement, and disposal of capital assets. It encompasses all tangible assets that meet the City's capitalization thresholds, including but not limited to land, buildings, infrastructure, vehicles, machinery, and equipment.

This policy governs the following:

- Identifying and recording capital assets;
- Maintaining asset tracking and inventory systems;
- Replacing capital assets, including fleet vehicles, in accordance with lifecycle schedules;
- Declaring assets as surplus and overseeing their disposal;
- Ensuring timely and accurate interdepartmental communication regarding asset activity.

All City employees responsible for overseeing or managing capital assets must comply with the requirements set forth in this policy. The Finance Department is responsible for the oversight and enforcement of this policy, including the maintenance of accurate asset records and ensuring adherence to applicable accounting and regulatory standards

### **III. Inventory Management**

#### **1. Responsibility**

Each department is responsible for the control and oversight of capital assets within their jurisdiction. The Department Head or assigned designee must maintain an updated capital asset inventory schedule and provide it to the Finance Department on an annual basis, or more frequently upon request.

#### **2. Required Inventory Information**

Each capital asset record must include:

- Asset Description (including serial number, model number)
- Asset Classification (e.g., Land, Buildings, Vehicles, Equipment, Infrastructure)
- Department Name & Physical Location
- Acquisition/Disposal Date
- Cost of Asset (including freight, installation)
- Method of Acquisition (purchase or donation)

#### **3. Annual Review & Audit**

The Accounting Division will conduct an annual review and reconciliation of capital asset records. Any discrepancies must be reported to the Finance Department for corrective action.

### **IV. Vehicle Replacement**

#### **1. Service Life Timeframe**

Each vehicle has a service life, which is the amount of time the vehicle is capable of rendering service. The service life is based on the vehicle type, usage, average mileage, and estimated maintenance cost for each type of vehicle and is determined by vehicle maintenance staff and industry standard. The City of Rockford intends to replace vehicles at the end of their service life based on usage type and maintenance cost projections, as determined by the vehicle maintenance team in alignment with industry standards.

VEHICLE TYPE	SERVICE LIFE	VEHICLE TYPE	SERVICE LIFE
<b>LIGHT/MEDIUM DUTY</b>			
POLICE SQUAD	5	SERVICE TRUCK	7
PICKUP TRUCK	7	SERVICE VAN	7
SEDAN	7	DUMP TRUCK - MEDIUM	10
SUV	7	FLATBED TRUCK	10
<b>HEAVY DUTY</b>			
AMBULANCE	4	DUMP TRUCK-HD	10
FIRE APPARATUS	9	PATCHING TRUCK	10
ARMORED CARRIER	10	SEWER TRUCK	10
BUCKET TRUCK	10	SNOW DUMP TRUCK	10
CHIPPER TRUCK	10	SWAT VEHICLE	10
CLAM LOADER	10	POLE TRUCK	15
<b>EQUIPMENT</b>			
AERIAL LIFT	10	BOMB TRAILER	15
BACKHOE	10	AIR COMPRESSOR	15
MINI EXCAVATOR	10	DIVE TRAILER	15
MINI VACTOR	10	FORESTRY CUTTER	15
SEWER CAMERA	10	FORKLIFT	15
SKID STEER	10	HAZMAT TRAILER	15
SLOPE MOWER	10	TRACTOR MOWER	15
STUMP GRINDER	10	TRAILER	15
WHEEL LOADER	10	TRT TRAILER	15
WOOD CHIPPER	10		

## 2. Reserve Vehicles

Departments that require reserve vehicles shall, upon consultation with vehicle maintenance staff, place a vehicle in reserve status once the lease has ended and the vehicle is owned by the City of Rockford.

## V. Acquisition of Assets

### 1. Department-Level Acquisition Procedures

Each department is responsible for acquiring capital assets in accordance with the City's procurement policies and budgetary approvals. The acquisition process must follow these steps:

- **Needs Assessment** – The department identifies the need for an asset and ensures it aligns with operational objectives and complies with Section 3: Vehicle Replacement Policy.
- **Budget Approval** – The department verifies that funds are available and secures approval from the Central Services Division using the **Request of Asset Acquisition Form**

- **Procurement Process** – Purchases must comply with the City's procurement regulations, including obtaining competitive quotes or bids as applicable.
- **Receipt & Verification** – Upon delivery, the department verifies the asset's condition, ensures it meets specifications, and documents the acquisition.
- **Inventory Update** – The department records the asset in the capital asset inventory schedule and submits an **Asset Acquisition Form** containing the required details to the Accounting Division for tracking and financial reporting.

## VI. **Financing and Procurement**

### 1. **Financing**

The preferred method of financing capital vehicles and equipment is through tax-exempt municipal leasing, structured for the duration of the asset's service life and approved by the lender. Lease agreements should be structured to allow for payments in arrears. Upon completion of the lease term, the vehicle will be sold, and the proceeds will be recognized as revenue in the fund from which the vehicle was originally acquired. These proceeds will be used to support future lease payments or other capital fleet needs.

While municipal leasing is the preferred approach, capital acquisitions may also be financed through other sources, including departmental capital budgets, grant funding, bond proceeds, or other available financing mechanisms, subject to applicable budgetary and legal requirements.

### 2. **Budget and Procurement**

Annual lease payments and other capital funding requirements will be included in the appropriate City operating or capital budgets. The budget document will identify vehicles and equipment scheduled for replacement or acquisition in the upcoming fiscal year. Proceeds from asset sales will be budgeted as revenue in the applicable fund.

All acquisitions and related financing agreements must adhere to the City's procurement policies and are subject to City Council approval in accordance with established purchasing guidelines.

## VII. **Valuation, Capitalization, and Depreciation**

### 1. **Valuing Capital Assets**

- Assets are recorded at historical cost, including purchase price, freight, and installation.
- Donated assets are recorded at fair market value at the time of donation.
- If historical cost is unavailable, a reasonable estimate will be used.

## **2. Capitalization Criteria**

A capital asset must meet the following criteria:

- Tangible
- Ownership and/or user rights
- Useful life greater than one year
- Cost exceeding capitalization thresholds (See Section VIII)

## **3. Depreciation Policy**

- Depreciation is computed on a straight-line method using a half-year convention.
- Assets will receive half-year depreciation in the year of acquisition and disposal.
- Depreciation schedules are determined based on estimated useful life (see Section IV).

## **VIII. Capital Asset Categories & Thresholds**

*This is for asset capitalization and depreciation within the City's financial reports, refer to Section IV: Vehicle Replacement useful service lives.*

## 1. Capitalization Thresholds & Useful Lives

CATEGORY DESCRIPTION	EXAMPLES	LIFE	THRESHOLD
<b>LAND &amp; IMPROVEMENTS</b>			
LAND	PURCHASE OR DONATION	0	\$1.00
LAND IMPROVEMENTS	SITE DEVELOPMENT, DRIVEWAYS, PARKING LOTS, FENCES, LANDSCAPING & RETAINING WALLS, PAVILION/GAZEBO STRUCTURES	5	\$50,000.00
LEASED - LAND IMPROVEMENTS	GASB 87	5	\$1.00
<b>BUILDING &amp; IMPROVEMENTS</b>			
BUILDINGS	PURCHASE, CONSTRUCTION/ADDITIONS OR DONATION & WATER (RESERVOIR, TOWER, TANK)	45	\$50,000.00
LEASED - BUILDINGS	GASB 87	45	\$1.00
EXTERIOR IMPROVEMENT	MASONRY, ROOF, WINDOWS, HVAC, INDUSTRIAL GENERATOR & ANY WORK TO SHELL OF BUILDING	20	\$50,000.00
INTERIOR STRUCTURE IMPRO	BOILER/FURNACE, ELECTRICAL/PLUMBING, MCC & FLOOR PLAN RECONFIGURATION	30	\$50,000.00
INTERIOR FIXTURE IMPRO	CARPET, PAINT, & OTHER MISCELLANEOUS FINISHING	10	\$50,000.00
WATER DISTRIBUTION SYSTEM	WATERMAIN, VALVES, HYDRANTS	75	\$50,000.00
WELLS	WELLS	80	\$50,000.00
<b>EQUIPMENT</b>			
VEHICLES - FIRST RESPONDER	POLICE & FIRE- SQUADS, SUVs, SMALL TRUCKS (Excl. AMBULANCE), & VANS	5	\$25,000.00
VEHICLES - GENERAL	ALL OTHER DEPTS DAILY USE VEHICLES NOT IN OTHER CATEGORIES	7	\$25,000.00
VEHICLES - AMBULANCE	AMBULANCE	4	\$25,000.00
VEHICLES - FIRE APPARATUS	FIRE APPARATUS	9	\$25,000.00
SMALL TRUCKS	TRUCKS (20,000 GVWR OR LESS), AMBULANCES, BUSES (LESS THAN 29 PASS.)	7	\$25,000.00
LARGE TRUCKS	TRUCKS (20,001 GVWR OR GREATER), BUSES (30+ PASSENGER)	10	\$25,000.00
SMALL EQUIPMENT	RADIOS, WEAPONS, VEHICLE EQUIPMENT (THAT IS REMOVABLE), & OFFICE EQUIPMENT	5	\$25,000.00
LEASED - SMALL EQUIPMENT	GASB 87	5	\$1.00
MEDIUM EQUIPMENT	LOADERS, PLOWS, CHIPPERS, PORTABLE GENERATORS, ETC.	10	\$25,000.00
HEAVY EQUIPMENT	TRAILER, MOWER, FORKLIFT, CUTTER, COMPRESSOR. POLE TRUCK, WATER TREATMENT EQUIP (SCRUBBER, COMPRESSOR, BLOWER)	15	\$25,000.00
RECREATIONAL EQUIPMENT	PLAYGROUNDS, EXERCISE EQUIPMENT, PICNIC TABLES	20	\$25,000.00
COMPUTERS	HARDWARE & SOFTWARE	3	\$25,000.00
LEASED - COMPUTERS	GASB 96	5	\$10,000.00
OFFICE FURNITURE	DESKS, CHAIRS, CABINETS, SHELVES	20	\$25,000.00
ELECTRIC SYSTEMS	PHONE SYSTEMS, NETWORK WIRING, WATER SYSTEMS (VFD, PLC, SCADA, PANELVIEWS, SERVER)	10	\$25,000.00
KITCHEN EQUIPMENT	REFRIGERATORS, STOVES, MICROWAVES	10	\$25,000.00
<b>INFRASTRUCTURE</b>			
INFRASTRUCTURE	STREETS, ALLEYS, BRIDGES	50	\$250,000.00

## **IX. Asset Disposals & Transfers**

### **1. Removal from Inventory**

A capital asset must be removed when it is obsolete, surplus, or no longer in use.

The department must:

- Document the removal with an **Asset Disposal Form**.
- Report the disposal to the Accounting Division.

### **2. Transfers**

Departments must document all interdepartmental transfers using the **Asset Acquisition Form** and submit it to the Finance Department for proper recordkeeping.

### **3. Lost or Stolen Assets**

If an asset is lost or stolen, the department must:

- Conduct a search for the missing asset.
- Determine if the asset was transferred, scrapped, or misplaced.
- If not found, report the loss to the Finance Department immediately.

## **X. Surplus Property Management**

### **1. Statutory Requirements**

The City of Rockford (the "City") has established this policy to ensure compliance with the 65 ILCS 5/11-76-4, which states that property the City deems to be surplus may be disposed of in a manner approved by City Council by ordinance.

### **2. Guidelines**

The Department Head, or their designee, from the using department will determine when property is no longer necessary or obsolete for their operation. A list of obsolete property, along with a recommendation for disposal method, will be provided to the Central Services Manager. The Central Services Manager will approve the disposal method based on the Department Head recommendation and the best interests of the City. If property is determined to have no value, after attempting to dispose of in one of the manners described below, it shall be recycled or disposed of properly by the using department. Property purchased with grant funds shall be disposed of in accordance with this policy, while complying with granting agency requirements when necessary.

### **3. Disposal of Property - Vehicles**

Surplus vehicles shall be disposed of in the following manner, in order of preference:

- 1) Traded in to offset the purchase of a replacement vehicle;

- 2) Sold via online or public auction to the highest bidder;
- 3) Sold for parts/scrap metal when necessary.

**4. Disposal of Property - Equipment, Furniture, Computer, and Mobile Devices**

Non-vehicle surplus equipment shall be disposed of in any of the methods outlined below:

- 1) Traded in to offset a replacement purchase;
- 2) Sold via online or public auction to the highest bidder;
- 3) Sold to a governmental agency or not-for-profit, their employees, City employees, or residents for a price as determined by the Central Services Manager consistent with market value;
- 4) Sold to a qualified refurbishment company for rehabilitation and resale;
- 5) Sold for parts/scrap metal.

**XI. Compliance & Review**

**1. Environmental Responsibility**

Departments are responsible for ensuring disposals comply with environmental regulations and organizational sustainability practices, particularly for electronic equipment, hazardous materials, or recyclable components.

**2. Grant-Funded Assets**

If the asset was purchased with grant funds, the department must ensure the disposal complies with all applicable grant terms and conditions. This may include prior approval from the granting agency, documentation of fair market value, and adherence to specific federal or state guidelines. All such actions must be documented and submitted with the Asset Disposal Form.

**3. Policy Compliance**

- The Accounting Division ensures compliance with this policy through regular audits and asset verification.
- Departments must adhere to all reporting deadlines to maintain accurate financial records.

**4. Policy Review & Updates**

This policy is subject to periodic review and revision to align with accounting standards, regulatory requirements, and operational needs.

Rockford, Illinois

Date: January 26, 2026

**COMMITTEE REPORT**

**TO THE CITY COUNCIL OF THE CITY OF ROCKFORD:**

Council Members:

The Committee on Finance and Personnel having received a request hereby begs leave to report recommending **approval** of the Capital Asset Policy. The Legal Director shall prepare the appropriate ordinance.

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Kevin Frost (Chair)

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Jonathan Logemann (Vice chair)

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Frank Beach

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Dawn Granath

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Chad Tuneberg

Committee Action Taken:

Frost:	Ayes:___	Nays:___	Absent:___
Logemann:	Ayes:___	Nays:___	Absent:___
Beach:	Ayes:___	Nays:___	Absent:___
Granath:	Ayes:___	Nays:___	Absent:___
Tuneberg:	Ayes:___	Nays:___	Absent:___