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Sellersburg, Indiana Code of Ordinances

CAPITAL ASSET POLICY**§ 35.60 GENERAL INFORMATION.**

(A) The Fixed Asset Policy is being issued effective May 1, 2005. The new policy will be referred to as the Capital Asset Policy. This policy is being issued to document the minimum value of capital assets to be reported on our financial reports and to include infrastructure assets. The issuance of a policy document is related to the implementation of a new reporting model, Governmental Accounting Standards Board Statement 34. Statement 34 will require the town to depreciate capital assets. The capital asset threshold will be \$5,000. An asset with a value under \$5,000 will be expensed in the year purchased. The infrastructure portion of this policy is also effective May 1, 2005.

(B) Town Water Utility will follow this same definition of capital assets except any item with a unit cost of \$500 or more shall be capitalized. Assets that are not capitalized (items less than \$500) are expensed in the year of acquisition. Town Utilities will follow the capitalization guidelines of the Indiana Utility Regulatory Commission.

(C) The town 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, rate-payers, oversight bodies and regulators.

(D) The purpose of establishing a capital policy is fivefold:

(1) To safeguard the investments of the citizens, to fix responsibility for the custody of equipment;

(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.

(E) 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.

(Ord. 2005-014, passed 5-9-05)

§ 35.61 DEFINITION OF CAPITAL ASSETS.

(A) Capital assets include: land, land improvements, including monuments, buildings, building improvements, construction in progress, machinery and equipment, vehicles and infrastructure. All land will be capitalized but not depreciated. All items with a useful life of more than one year, 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 the criteria will be reported and depreciated in the government wide financial statements.

(B) Assets that are not capitalized (items less than \$5,000) are expensed in the year of acquisition. An inventory will be kept on all computers and other equipment with a capitalized cost of less than \$5,000. (See § 35.67)

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 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 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.

(C) *Threshold levels for capital assets.* The following schedule will be followed for the different types of capital assets other than infrastructure assets:

Capitalized/Depreciate

Land	All/Capitalize only
Land Improvements	\$5,000.00
Building	\$5,000.00
Building Improvements	\$5,000.00
Construction in Progress	All/Capitalize only
Machinery and Equipment	\$5,000.00
Vehicle	\$5,000.00
Utility Assets	\$5,000.00

(D) *Infrastructure.*

(1) At the network level, the asset will be classified as major if the cost of the network item is at least 10% of the cost of all capital assets in fiscal year 1999. A network will be defined as a group of similar assets that serve a particular function or purpose for the town.

(2) At the subsystem level, the asset will be classified as major if the cost of the subsystem item is at least 5% of the cost of all capital assets in fiscal year 1999. A subsystem will be defined as a segment of a network of assets that serve a similar function for the town.

(Ord. 2005-014, passed 5-9-05)

§ 35.62 VALUATION OF CAPITAL ASSETS.

(A) 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 is any other reasonable and necessary costs incurred to place the asset in its intended location and intended use. Such costs could include the following:

- (1) Legal and title fees, closing costs;
- (2) Appraisal and negotiation fees, surveying fees;
- (3) Damage payments;
- (4) Land preparation costs, demolition costs;
- (5) Architect, engineering and accounting fees;
- (6) Insurance premiums during construction;
- (7) Transportation charges;
- (8) Interest costs during construction.

(B) Donated or contributed assets should be recorded at their fair market value on the date donated.

(Ord. 2005-014, passed 5-9-05)

§ 35.63 ASSET DEFINITIONS BY MAJOR CATEGORY.

It is important to 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.

(A) *Land.* Land is defined as specified land, lots, parcels or acreage including rights-of-way and easements, owned by the town, 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 as an interest in land owned by another (i.e. property owner) that entitles its holder to a specified limited use.

(B) *Improvements other than buildings.*

(1) Examples of town assets in this category are walks, parking areas and drives, fencing, retaining walls, pools, fountains, planters, underground sprinkler systems, and other similar items.

(2) Examples of town utilities assets in this category are water supply mains, collection sewers, wells, dams, fences, intake pipes, manholes, and fire hydrants.

(C) *Buildings.*

(1) 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.

(2) 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 building, if owned. Communication antennas and/or towers are not included as buildings. These are parts of the equipment units that they serve.

(D) *Equipment.* Equipment includes all other types of physical property within the scope of the fixed asset management system not previously classified. Included within this category are office mechanical equipment, office furniture, appliances, furnishings, machinery items, maintenance equipment, communication equipment, police, fire, sanitation and park department, laboratory equipment, vehicles, road equipment, aircraft, emergency equipment, earth moving equipment, text equipment, civil defense equipment, and data processing equipment. All supplies are excluded.

(E) *Infrastructure.*

(1) 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 road, 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.

(2) 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.

(3) Alleys will not be included as part of infrastructure for the following reason: Existing improved alleys will be maintained as gravel alleys, and the town is responsible only for the maintenance, such as patching and repairing. Any investments to upgrade the alleys will be done by homeowner participation. Therefore, the town will not track and value alleys and the patching/repairs will be expensed as they occur.

(4) 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 is not mandated until fiscal years beginning after January 1, 2007 which the town will comply with.

(Ord. 2005-014, passed 5-9-05)

§ 35.64 DEPRECIATION METHODS.

The town will be depreciating capital assets by using either composite/group method depreciation or 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 general accepted accounting principles.

(A) *Composite/group network.*

(1) Composite depreciation refers to calculating depreciation for a collection of similar assets. A single composite rate is applied annually to the acquisition cost of the collection as a whole. At year-end an adjustment will be made to the total cost to account for any additions/disposals throughout the year. The accumulated depreciation associated with it will also be adjusted. A gain or loss will never be reported on the asset when using the composite method. A full year's depreciation will be taken when the asset is placed in service and no depreciation recorded in the year it is sold or disposed of. To determine the appropriate depreciation rate for the composite group, divide 1 by the number of years the assets are depreciated. For instance, a group of assets with a 25-year life will be depreciated at 4% each year (1/25).

(2) Following is the list of groups that will be used for depreciation:

Composite/Group Depreciation

- (a) Street lights — 35 years
- (b) Traffic signals — 25 years
- (c) Flood walls/gates — 50 years
- (d) Roads
 - 1. Cement — 10 years
 - 2. Gravel — 15 years
 - 3. Concrete — 30
 - 4. Asphaltic Concrete — 20 years
 - 5. Brick or Stone — 50 years

(B) *Straight-line depreciation.*

(1) 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:

- (a) Vehicles — 5 years
- (b) Office equipment — 5 years
- (c) Office furniture — 20 years
- (d) Heavy equipment — 10 years

- (e) Fire trucks — 15 years
 - (f) Buildings — 50 years
 - (g) Building components (HVAC systems, roofing) — 20 years
 - (h) Leasehold improvements — useful life of asset or lease term (whichever is shorter)
 - (i) Land improvements — structure (parking lots, athletic courts, swimming pools) — 20 years
 - (j) Land improvements — ground work (golf course, athletic fields, landscaping, fencing) — 20 years
 - (k) Outdoor equipment — (playground equipment, radio towers) — 15 years
 - (l) Grounds equipment — (mowers, tractors, attachments) — 15 years
 - (m) Computer hardware — 3 years
 - (n) Computer software — 5 years
- (2) Town Utilities' useful lives are as follows:
- (a) *Water.*
 - 1. Buildings and improvements — 50 years
 - 2. Transmission and distribution mains — 50 years
 - 3. Meters/hydrants — 50 years
 - 4. Pumping equipment — 50 years
 - 5. Water treatment equipment — 50 years
 - 6. Reservoirs tanks — 50 years
 - 7. Furniture and equipment — 10 years
 - 8. Other equipment — 10 years
 - 9. Transportation equipment — 10 years
 - 10. Shop and laboratory equipment — 10 years
 - 11. Computer equipment — 3 years
 - 12. Communications equipment — 10 years
 - (b) *Sewer.*
 - 1. Buildings and improvements — 50 years
 - 2. Sewer lines — 50 years
 - 3. Combined sewer overflow — 50 years
 - 4. Lift station — 50 years

5. Treatment plant/equipment — 10 years
6. Office equipment — 5 years
7. Miscellaneous operating equipment — 5 years.

(Ord. 2005-014, passed 5-9-05)

§ 35.65 CAPITAL ASSET ACQUISITIONS.

(A) The method of acquisition is not a determining factor. Each department should report items acquired by:

- (1) Regular purchases;
- (2) Lease purchase – see below;
- (3) Construction by town personnel;
- (4) Construction by an outside contractor;
- (5) Resolution/condemnation;
- (6) Donation/contribution;
- (7) Addition to existing asset;
- (8) Transfer from another department;
- (9) Trade or barter;
- (10) Annexation.

(B) Leased equipment should be capitalized if the lease agreement meets any one of the following criteria:

- (1) The lease transfers ownership of the property to the lessee by the end of the lease term;
- (2) The lease contains a bargain purchase option;
- (3) The lease term is equal to 75% of the estimated economic life of the leased property;
- (4) The present value of the minimum lease payments at the inception of the lease, excluding executor costs, equals at least 90% of the fair value of the leased property.

(C) 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.

(Ord. 2005-014, passed 5-9-05)

§ 35.66 ASSET TRANSFERS AND DISPOSITIONS.

(A) Property should not be transferred, turned-in for auction, or disposed of without prior approval of the department head. A vehicle/equipment out processing checklist should be sent to

the Clerk-Treasurer's office in all cases. This form is a dual-purpose form for transfer (defined as any movement of an asset by virtue of change in location, either by account, department, building, floor, or room) or retirement (disposal) of property.

(B) The main points to be remembered when using this form are:

- (1) Always provide sufficient detail to properly identify the asset, most importantly the asset's tag number or town ID;
- (2) Be accurate and do not overlook any of the needed entries;
- (3) Write legibly;
- (4) Complete each column for every asset listed on the form;
- (5) Enter information in correct row, depending on whether you are transferring or deleting an asset;
- (6) Have Department Head sign at the bottom of the form;
- (7) Return the form to the Clerk-Treasurer's office.

(C) If an asset is stolen, the department should notify the Police Department as well as the Clerk-Treasurer's office.

(Ord. 2005-014, passed 5-9-05)

§ 35.67 PERIODIC INVENTORIES.

A physical inventory of all capital assets (any item over \$5,000) 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.

(Ord. 2005-014, passed 5-9-05)

§ 35.68 RESPONSIBILITIES OF CLERK-TREASURER'S OFFICE.

The Fiscal Officer will ensure the 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.

(Ord. 2005-014, passed 5-9-05)

§ 35.69 RESPONSIBILITIES OF DEPARTMENT MANAGERS.

(A) It is the responsibility of the department head to act as or designate a steward for each piece of property over \$500. 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.

(B) The department head or his or her designee, who shall be identified in writing and forwarded to each Town Council member, shall be designated to record the receipt of the asset, to examine the asset to make sure that no damage was incurred during shipment and to make sure that the asset was received in working order.

(C) The steward is also responsible for arranging for the necessary preventative 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, in writing, to his or her department head, any property damage or theft.

(D) Department heads shall be accountable for an inventory list for all inventory above \$500 charged to their departments and shall verify a list of their capital assets at year end.

(E) Department heads shall use the form set forth in Exhibit A for their inventory list.

(Ord. 2005-014, passed 5-9-05; Am. Ord. 2016-003, passed 3-14-16)