

ORDINANCE NO. 2018-4

WHEREAS, the Town Board of the town of Millersburg has authority, pursuant to its statutory and home rule powers, to amend this ordinance; and WHEREAS, the Common Council now determines that the development of an ordinance to establish fixed asset inventory and capitalization policy should be undertaken at the Town of Millersburg to account for and safeguard the significant investments of public dollars, to improve internal controls and to verify account balances carried in the accounting records. NOW THEREFORE, BE IT ORDAINED by the Town Board of the town of Millersburg that an Ordinance entitled "Capital Asset Inventory and Capitalization Policy", be established as follows:

§ 97.01 DEFINITIONS.

For the purpose of this subchapter, the following definitions shall apply unless the context clearly indicates or requires a different meaning:

TANGIBLE ASSETS. are an organization's resources that have physical properties that can be observed by one or more of the physical senses. For the town these resources are those items that are used in the provision of services.

CAPITAL ASSETS. Tangible assets of durable nature employed in the operating activities of the town and are relatively permanent and needed for the provision or sale of goods or services are termed This broad group is usually separated into asset types according to the physical characteristics of the items. The category types for the capital assets are; Land, Infrastructure, Buildings, Improvements Other Than Buildings, Machinery and Equipment, and Construction in Progress.

CAPITAL OUTLAYS. Expenditures which benefit both the current and future fiscal periods These cost are for the acquisition of or addition to the city's capital assets for those assets with costs of \$5,000 or greater and life expectancies longer than one year.

ENTERPRISE FUNDS. Those funds used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the town is that the expenses, including depreciation of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or, where the town has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The enterprise funds of the town include the municipally-owned water, wastewater and electric utilities and any other utility that may be established by the Common Council. Operation of these utilities shall require enterprise fund accounting and reporting.

HISTORICAL COST. The cash equivalent price exchanged for goods or services at the date of acquisition.

§ 97.02 LAND CAPITALIZATION PROVISIONS.

All costs of acquiring land including costs such as appraisals, owner relocation costs, site surveys, environmental explorations and remediation's, title services, real estate services, and back taxes. Land listings shall include the location, date of acquisition of the land, and the vending source where identifiable. Land purchases shall be included without regard to the initial cost of the acquisition. Legal services, court costs and other services directly related to the acquisition of land shall be included in the land cost. Land purchases that include buildings or other site improvements shall have an allocation of estimated or know value of the land and a separate known or estimated value for the buildings or site improvements at the time of acquisition. The value for the buildings or improvements shall be listed under the appropriate categories of Buildings, Infrastructure, or Improvements Other Than Buildings. Costs for preparing the land for its intended purpose (including contractor payments and/or town workers' salaries and benefits) such as demolishing buildings, excavating, cleanup and/or inspection. Costs of land rights-of-way for infrastructure (such as roadway, alleys, or sidewalks) shall be capitalized as infrastructure with estimated or known cost at the time of acquisition. Expenditures for temporary or permanent easements will be expensed rather than capitalized.

(B) Donated land will be noted as such and will have a listed cost of the known or estimated fair market value of the land at the time of donation. Expenditures incurred for professional service related to the transfer of the land and preparation of the land for its intended use as listed in Paragraph A above shall be added to the fair market value.

(C) Land purchases made through the use of federal or state funding will follow the above provisions as listed in Paragraph A above.

INFRASTRUCTURE CAPITALIZATION PROVISIONS

(A) The town will capitalize Infrastructure with original cost or estimated or known value of \$5,000 or more at the time of acquisition. Infrastructure for general town assets includes such items as roads and streets, street lighting systems, bridges, overpasses, sidewalks, curbs, and storm water collection systems. For business like departments of electric, sewer and water infrastructure includes the distribution or collection systems. Electric systems include assets such as electric lines, substations, and transformers. Sewer systems include assets such as sewer lines, manholes, and lift stations. Water systems include assets such as water lines, valves, and fire hydrants. For new infrastructure the costs of engineering and construction shall be included. Location and estimated or known date of construction or acquisition shall be included.

(B) Extensions of or replacements of infrastructure assets will only be included if the cost of installation, extension of, or replacement is \$5,000 or greater.

(C) Infrastructure acquired from developers or annexation shall be included at fair market value at the time of acquisition

(D) Infrastructure acquired with state or federal dollars will be included on the same basis as indicated in Paragraphs A and B of this section regarding Infrastructure

(E) Electric, sewer, and water infrastructures will be depreciation using life expectancy of the infrastructure and straight line depreciation.

(D) Maintenance or repairs necessary to maintain the existing infrastructures will be expensed. For example, milling and paving, patching, resurfacing, snow removal, and the like, are considered maintenance activities and will be expensed. Department operating activities such as feasibility studies will be expensed and not capitalized as an element of the infrastructure asset.

(F) Department operating activities such as feasibility studies will be expensed and not capitalized as an element of the infrastructure asset.

§ 97.03 BUILDING CAPITALIZATION PROVISIONS.

(A) The town will capitalize new buildings, building renovations, and additions to buildings at full cost if the total cost is \$5,000 or greater. The listing will include location, known or estimated date of acquisition, and vendor if identifiable

(B) Capitalization of building costs will include the preparation of land for the building, architectural, engineering, and other professional fees, contractor, subcontractor and other costs directly attributable to the construction of a building.

(C) Donated buildings will be recorded at fair market value on the date of transfer with any associated costs.

(D) Building purchases using federal or state funding will be included on the same basis follow the above provisions as listed in Paragraphs A and B of this section.

(E) Sewer and water owned buildings will be depreciation using life expectancy of the infrastructure and straight line depreciation.

§ 97.04 IMPROVEMENTS OTHER THAN BUILDING CAPITALIZATION PROVISIONS.

(A) Improvements other than buildings include assets such as site lighting, parking lots, and walk paths, pools, and fencing. The town will capitalize improvements other than buildings if the improvements have a total cost of \$5,000 or greater. The listings of these improvements will include known or estimated date of acquisition, location and vendor if identifiable.

(B) Capitalization of improvements other than buildings expenditures will include architectural and engineering fees, shipping costs if any, site work for the installation of the improvement contractor, subcontractor and other costs directly attributable to the improvement other than building

(C) Donated improvements other than buildings will be recorded at fair market value on the date of acquisition including any associated costs as listed in paragraphs A and B of this section.

(D) Maintenance or repairs necessary to maintain the existing improvement other than buildings will be expensed. For example, patching, resurfacing, snow removal, and the like, are considered maintenance activities and will be expensed. Department operating activities such as feasibility studies will be expensed and not capitalized as an element of the infrastructure asset.

(E) Improvements other than building expenditures using federal or state funding will be included on the same basis as listed in Paragraphs A and B of this section.

(F) Donated infrastructure will be recorded at fair market value on the date of transfer with any associated costs.

§ 97.05 MACHINERY AND EQUIPMENT CAPITALIZATION PROVISIONS.

(A) The town will capitalize machinery and equipment with original costs of \$5,000 or more original cost. Examples include trucks, cars, mowers, tractors, pumps and motors, furniture, and security camera systems. Model Numbers and Serial Numbers will be included when available and applicable. Departmental location and known or estimated date of acquisition will be included with the asset listing.

(B) Capitalization of machinery and equipment costs will include shipping or delivery charges, Cost for attachments to equipment that are necessary for the intended use of the equipment will be included with the machinery and equipment. Examples of such attachments are, radar and camera units, snow blades, snow throwers, salt boxes, tractor cabs, and excavation buckets.

(E) Leased equipment will only be included if the lease is a lease to purchase agreement. The principle sum for the lease purchase will be included in the fixed asset listings.

(F) Donated machinery and equipment will be listed at fair market value on the date of transfer with any associated costs. The procedures for listing donated items as fixed assets will be the same as those listed in Paragraphs A and B of this section concerning machinery and equipment.

(G) Machinery and equipment purchases using state or federal funding will also follow the above provisions in Paragraphs A and B

§ 97.06 CONSTRUCTION IN PROGRESS CAPITALIZATION PROVISIONS.

Construction work shall be recorded as "construction work in progress." Projects that have not been completed by the end of a given reporting year will be included under this item type provided that the project cost is \$5,000 or greater. At the completion of the project it will be entered under the appropriate item type of either Buildings or Improvements Other than Buildings. The date of completion of the project will be listed as the date of acquisition.

97.08 DEPRECIATION METHODS.

The Town will only depreciate capital assets that are property of the sewer or water departments. The straight-line method of depreciation shall be used along with a life expectancy listed for the business like assets. Land is never depreciated. No salvage value shall be used for the fixed assets. Depreciation for other capital assets will be calculated beginning with the second year following the purchase of the asset. The remaining values for assets will be calculated annually.

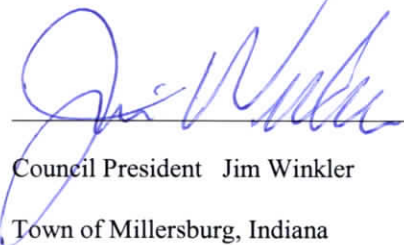
PROCEDURES FOR REPORTING ACQUISITION AND DISPOSAL OF CAPITALIZED ASSETS

The Town Clerk-Treasurer has asset acquisition and disposal forms that department heads are required to fill out at the time a fixed asset is acquired or disposed of. It is imperative that each form be filled out completely so that the fixed asset report is kept current and is as thorough and accurate as possible/ Disposals will be listed on a separate sheet with the date of disposal, type of disposal such as scrapped, sold at auction, donated to another non-profit organization. The listings shall be removed from the fixed asset report and entered in the disposal list during the year following the disposal of the asset.

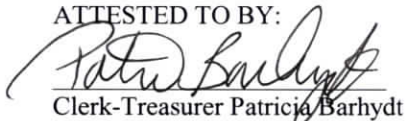
RESPONSIBILITY FOR VERIFYING AND ACCOUNTING FOR FIXED ASSETS

The Clerk-Treasurer shall provide each department head with an electronic listing of the fixed assets for his or her department along with any additions or deletions that the department head has provided. Each department head fixed asset listing shall be reviewed by the head of that department at least annually. Each department head will send to the Clerk-Treasurer a signed sheet attesting to the accuracy of the department fixed asset list or noting changes necessary for the accuracy. This sheet with any related information shall be provided to the Clerk-Treasurer.

ORDAINED AND PASSED ON THE 14 DAY OF FEBRUARY 2018
AT 6 P.M. IN ACCORDANCE WITH APPLICABLE LAW BY THE COUNCIL OF THE TOWN OF
MILLERSBURG, ELKHART COUNTY, INDIANA


Council President Jim Winkler
Town of Millersburg, Indiana

ATTESTED TO BY:


Clerk-Treasurer Patricia Barhydt

Town of Millersburg, Indiana

The foregoing Ordinance passed by the Town Board of the Town of Millersburg, Elkhart County, IN.