TOWN OF MONROE,
STATE OF INDIANA

ORDINANCE No.: 2024-4

SHORT TITLE: AN ORDINANCE ADOPTING A CAPITAL ASSET POLICY FOR THE TOWN OF MONROE, ADAMS COUNTY, INDIANA

WHEREAS, Indiana Code § 5-11-1-24 generally provides authority for the State Board of Accounts to promulgate and require uniform guidelines for accounting and records keeping for units of government in Indiana;

WHEREAS, the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns issued by the State Board of Accounts require every City and Town to adopt and maintain a capital asset policy;

WHEREAS, the Government Accounting Standards Board adopted GASB 34, which mandates that state and local governments report their infrastructure, general fixed and other capital assets at historical cost net of accumulated depreciation; and

WHEREAS, The Town of Monroe desires to adopt the attached Capital Asset Policy in order to conform its accounting practices to the requirements of both the SBOA and the GASB.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED BY THE BOARD OF THE TOWN OF MONROE, ADAMS COUNTY, INDIANA, AS FOLLOWS:

Section 1. The attached Capital Asset Policy is hereby adopted and retroactive to January 1, 2024.

Section 2. The Clerk-Treasurer for the Town of Monroe is authorized to implement the attached Capital Asset Policy with the assistance of each department of the Town as needed.

Duly adopted by the Town Board of the Town of Monroe, Adams County, Indiana at its regular meeting on this 14 day of March, 2024, with the following vote of 3 Yes and — Nays.

Town Board for the Town of Monroe,
County of Adams, State of Indiana

David Bard

David Bard, Town Board Member

Josh Geerken, Town Board Member

Mike Geels, Town Board President

ATTEST:

Rachel Tague

Rachel Tague, Monroe Clerk-Treasurer

CAPITAL ASSET POLICY

PURPOSE:

This capital asset policy shall become effective on January 1, 2024. The purpose of this policy is to facilitate the preparation of financial statements in conformity with generally accepted accounting principles.

CLASSIFICATION OF ASSETS:

Capital assets are personal property and real property and other assets used in the operations of the town government that have an expected useful like beyond a single reporting period. Capital assets are to include any item that falls into one of the following categories:

I. Land
II. Improvements to Land
III. Buildings
IV. Furnishings and Equipment
V. Vehicles
VI. Computer Software
VII. General Infrastructure
VIII. Construction in Progress

CAPITALIZATION THRESHOLDS:

To be considered a capital asset for financial reporting purposes, an item must at the time of acquisition, be valued for accounting and financial reporting purposes at a unit value greater than or equal to $5,000.00. All vehicles are to be included and capitalized regardless of acquisition value; this increased capitalization threshold is to be applied prospectively starting January 1, 2024.

Assets shall remain as part of the property record until they are retired, sold, traded, or otherwise disposed of regardless of their net book value amount.

CAPITAL VS. EXPENSE AND IMPROVEMENT VS. REPAIR AND MAINTENANCE:

There is an inherent difference between the terms capital and expense. Capital is defined as an asset or improvement to an asset that is at or above the stated capitalization threshold for its particular classification.

A capital asset or capital asset improvement may increase capacity, efficiency, or extend the estimated useful life.

An expense activity merely maintains, restores, or repairs an asset to the original service potential but does not necessarily improve the asset.

See addendum to this policy for further definitions and examples.

Regarding improvements to buildings and general infrastructure, a capital outlay must be significant and increase capacity, increase efficiency, or extend the asset's estimated useful life beyond what was originally estimated.

A change in capacity increases the level of served provided by the asset. A change in efficiency either increases the level of service of the asset or the change maintains the same level of service at a lower cost (i.e. an addition to a building provides increases square footage and, therefore, the capacity is increased and the capital outlay is capitalized). An extended estimated useful life will result from a significant alteration, structural change, or improvement.

While substantial repairs and renovations shall be reviewed for potential capitalization, it is anticipated that most will be expensed in the current year. These expenses often merely restore the asset to its original service potential but do not necessarily improve the asset.

All land, including right-of-ways, shall be capitalized at the time of acquisition. If donated, it shall be recorded at its estimated acquisition value.

REPORTED VALUE OF CAPITAL ASSETS:

Capital assets shall be recorded at historical cost which includes any ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary changes include, but are not limited to, freight and transportation charges, site preparation costs, and professional fees. Internal and external engineering costs include related preliminary project and environmental studies; project estimating, design, and planning (i.e. drawings and specifications); and constructive engineering, construction management, construction inspection, and project payment. However, no such costs shall be capitalized unless they can be directly identified to a specific capital asset and have been incurred subsequent to the determination that the capital asset will be acquired. Donated capital assets are recorded at the value that would be necessary to acquire them.

ESTIMATED USEFUL LIVES OF DEPRECIABLE ASSETS:

Capital assets have estimated useful lives extending beyond a single reporting period (one year) and are depreciated using the straight-line method with no allowance for salvage value. The estimated useful lives currently used were developed with the input of knowledgeable staff and reflect the Town of Monroe's experience with these assets:

Land	non-depreciable
Improvements on Land	20 years
Storm Sirens	10 years

Buildings	50 years
Furnishings and Equipment	5 years
Vehicles	
Autos	5 years
Light Trucks	10 years
Heavy Trucks	15 years
Fire Trucks	30 years
Boats	5 years
General Infrastructure	50 years
Streets	50 years
Streetlights	20 years
Water Distribution	50 years
Sanitary Sewer Waste Collection	50 years
Storm Damage	50 years
Waste Treatment Plant	25 years
Computer Software	5 years

Any future changes to estimated useful lives will be applied prospectively.

DEPRECIATION METHOD / CONVENTION:

Depreciation will be calculated using the straight-line method and full-year convention. No salvage value or residual value will be recognized.

RETIREMENTS:

Retirements apply to all capital assets including land, improvements to land, buildings, furnishings and equipment, vehicles, and general infrastructure.

When an asset is disposed of, scrapped, sold, subject to demolition, etc., it is to be removed from the property record and the appropriate reduction shall be made to the asset value, accumulated depreciation, and net book value amounts.

Retirements shall reflect the originally recorded value of the capital asset when the amount is ascertainable. When the originally recorded value of the capital asset is not ascertainable, an estimate of that amount (typically historical cost) shall be made.

RESPONSIBILITY FOR PROPERTY RECORD MAINTENANCE:

The Clerk-Treasurer shall ensure that the appropriate accounting of capital assets is being exercised by establishing a capital asset inventory and updating it each year. Each annual update shall reflect all improvements, additions, retirements, and transfers that occurred during the year. The update also shall ensure that the annual calculation of depreciation expense is adjusted accordingly.

Day-to-day stewardship of the personal property above the capitalization threshold of $5,000.00 is the responsibility of the department utilizing that property.

To allow for the annual updating of capital asset records, the departments are responsible to report information on improvements, additions, retirements, and transfers in detail to the Clerk-Treasurer. It is expected that this reporting will be made in a timely manner, as the capital asset record must be updated annually. These departments include, but are not limited to, Public Works, Police, Parks, Engineering, Planning, and Administration.

In summary, additions of assets at or above the unit capitalization threshold of $5,000.00 are to be reported to the Clerk-Treasurer by the departments upon purchase or receipt of the asset. These will be verified per the purchasing process by the Clerk-Treasurer. Transfers and retirements of assets at or above $5,000.00 unit threshold are to be reported as such by the departments to the Clerk-Treasurer at the time of the transaction.

ASSETS PURCHASED WITH FEDERAL GRANT FUNDS:

Assets at or above a threshold of $5,000.00 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 established and maintained annually and includes all such assets currently in use.

PROPERTY CONTROL:

Capital assets below the capitalization threshold of $5,000.00 on a unit basis but warranting "control" shall be inventoried at the department level and an appropriate list will be maintained. Data elements are to include asset description, location, make, model, serial number, and other information that assists control deemed relevant.

Assets below the capitalization threshold but considered *sensitive* may include: weapons, radios, personnel computers, laptop computers, printers, fax machines, and small power tools. These minor but sensitive items shall be inventoried and controlled at the department level. Stewardship of these minor but sensitive items is the responsibility of the departments utilizing these properties.

The departments shall determine included items and appropriate means, level of detailed data elements, and the system to be utilized. This inventory will be updated annually to reflect additions and retirements to become a current list of controllable items. Finally, the Clerk-Treasurer shall request copies of the inventory and/or updated inventory of controllable items so as to periodically review the information, adherence to policy, and check the integrity of the data.

DEFINITIONS

1. Capital Outlay includes spending to acquire capital assets such as equipment, vehicles, buildings, or infrastructure assets and for improvements that increase capacity, efficiency, or extend the estimated useful life beyond the prior estimated life.

2. A change in capacity increases the level of service provided by the asset so the expenditure is capitalized.

3. A change in efficiency either increases the level of service an asset provides or allows for maintaining the same level of service at a lower cost so the expenditure is capitalized.

4. An extended estimate useful life will result from a significant alteration, structural change, or improvement so the expenditure is capitalized.

5. For improvements to buildings and general infrastructure and the Utility Infrastructure of Water and Sewer and Storm Departments, a capital outlay must be significant and increase capacity, increase efficiency, or extend the asset's estimated useful life beyond what was originally estimated for the expenditure to be considered for capitalization.

6. An improvement to Land is any type of alteration to land to make it more useable with assets that have a limited useful life that can be depreciated.

7. A Licensed Vehicle is a conveyance used for transporting people or goods.

8. General Infrastructure includes assets that normally are stationary in nature and can be preserved for a greater number of years.

EXAMPLES

1. While substantial repairs and renovations shall be reviewed for potential capitalization, it is anticipated that most will be expensed in the current year. These expenses often only restore the asset to its original service potential but do not necessarily improve the asset.

2. Common building expenses include interior and exterior painting, re-carpeting, plumbing repairs and replacement, HVAC upgrades, and electrical work. While many of these expenses can be substantial, there is generally no increased capacity or efficiency and, therefore, these costs are expensed in the current year.

3. An addition to a building provided increased square footage and, therefore, the capacity is increased and the capital outlay is capitalized.

4. A roof replacement does not increase building capacity or efficiency and, therefore, the cost of replacement should be expensed.

5. A building restoration may only restore the building to its original service capacity and, therefore, the restoration cost should be expensed.

6. Widening a road with additional lanes increases capacity and, therefore, the capital outlay is capitalized.

7. Regarding vehicles and equipment, replacing a truck's transmission is a significant repair and expense. However, the truck is only restored to good working order and, therefore, the expenditure is expensed.

8. Improvements to Land includes, but is not limited to, paved parking areas, fences, outdoor lighting, playground equipment, water fountains, retaining walls, paths and walkways, and small structures.

9. Licensed Vehicles include, but are not limited to, passenger autos, trucks (light, medium, and heavy), sport utility vehicles, railroad vehicles, tractors, bulldozers, buses, forklift trucks, off-road vehicles, motorcycles, and watercraft.

10. General infrastructure includes roads, right-of-ways, bridges, tunnels, drainage systems, dams, streetlights, traffic signals, sidewalks, and improved alleyways.

11. Water and Sewer Systems include treatment facilities, pump stations, lift stations, water distribution piping, sanitary sewer collection piping and all assets used in the provision of water and the treatment of waste.