

ORDINANCE NO. 2016-15

AN ORDINANCE AMENDING ORDINANCE 1996-07 ESTABLISHING A FIXED ASSET CAPITALIZATION POLICY

WHEREAS, the Town Council is the governing body of the Town of Nashville, in Brown County, in the State of Indiana, and

WHEREAS, the Town Council of the Town of Nashville, Indiana so desires to establish a capitalization policy for the Town and its various Departments and Utilities.

NOW THEREFORE, BE IT ORDAINED by the governing body of the Town of Nashville in Brown County, in the State of Indiana:

SECTION I. DEFINITIONS AND PROVISIONS:

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

"Tangible Assets"

Assets that can be observed by one or more of the physical senses. They may be seen and touched and, in some environments, heard and smelled.

"Fixed Assets"

Tangible assets of a durable nature employed in the operating activities of the unit and that are relatively permanent and are needed for the production or sale of goods or services are termed property, plant and equipment of fixed assets. These assets are not held for sale in the ordinary course of business. This broad group is usually separated into classes according to the physical characteristics of the items (e.g, land, buildings, improvements other than buildings, machinery and equipment, furniture and fixtures).

"Capital Outlays"

Expenditures which benefit both the current and future fiscal periods. This includes costs of acquiring land or structures; construction or improvement of buildings, structures or other fixed assets; and equipment purchases having an appreciable and calculable period of usefulness. These are expenditures resulting in the acquisition of or addition to the government's general fixed assets.

LAND

This Town will capitalize all land purchases, regardless of cost. Exceptions to land capitalization are land purchased outright, as easements, or rights-of-way for infrastructure. Examples of infrastructures are roads and streets, street lighting systems, bridges, overpasses, sidewalks, curbs, parking meters, street signs, viaducts, wharfs, and storm water collection.

A department will record donated land at fair market value on the date of transfer plus any associated costs.

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Purchases made using Federal or State funding will follow the source funding policies and above procedures.

MACHINERY AND EQUIPMENT

The definition of machinery and equipment is: an apparatus, tool, or conglomeration of pieces to form a tool. The tool will stand alone and not become a part of a basic structure of building.

The Town will capitalize and tag items with an individual value equal to or greater than ~~\$1,000.00~~ \$5,000.00. Machinery combined with other machinery to form one unit with a total value greater than the above mentioned limit will be one unit.

Improvements or renovations to existing machinery and equipment will be capitalized only if the result of the change meets all of the following conditions:

- 1) total cost exceeds ~~\$1,000.00~~ \$5,000.00.
- 2) the useful life is extended two or more years, and
- 3) the total costs will be greater than the current book value and less than the fair market value.

Examples include:

A work truck being equipped with screens, lights or radios for use as a single unit throughout its life expectancy is considered one unit.

If police cars are constantly changing light bars or radios to other vehicles, the Town will capitalize each piece of equipment separately, if it meets the required dollar amount.

A department's computer (CPU, monitor, keyboard, and printer) is considered one unit.

A department will record donated machinery and equipment at fair market value on the date of transfer with any associated costs.

Purchases made using Federal or State funding will follow the source funding policies and above procedures.

BUILDINGS

A department will capitalize buildings at full cost with no subcategories for tracking the cost of attachments. Examples of attachments are roofs, heating, cooling, plumbing, lighting, or sprinkler systems, or any part of the basic building. The department will include the cost of items designed or purchased exclusively for the building.

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A department's new building will be capitalized only if it meets the following conditions:

- 1) the total cost exceeds \$5,000, and
- 2) the useful life is greater than two years.

A department improving or renovating an existing building will capitalize the cost only if the result meets all of the following conditions:

- 1) the total cost exceeds \$5,000.00,
- 2) the useful life is extended two or more years, and
- 3) the total cost will be greater than the current book value and less than the fair market value.

Capital building costs, may include preparation of land for the building, architectural and engineering fees, bond issuance fees, interest cost (while under construction), accounting costs if material, and any costs directly attributable to the construction of a building.

A department will record donated buildings at fair market value on the date of transfer with any associated costs.

Purchases made using Federal or State funding will follow the source funding policies and above procedures.

IMPROVEMENTS OTHER THAN BUILDINGS

The definition of this group is improvements to land for better enjoyment, attached or not easily removed, and will have a life expectancy of greater than two years.

Examples are walks, parking areas and drives, golf cart paths, fencing, retaining walls, pools, outside fountains, planters, underground sprinkler systems, and other similar items.

Improvements do not include roads, streets, or assets that are of value only to the public. For example, Main Street is a public street with greatest value to the public.

Roads or drives upon Town-owned land that provide support to our facilities are assets. A sidewalk down the road for public enjoyment is an infrastructure improvement and is not capitalized. However, sidewalks installed upon Town-owned land for use by the public and for the support of our facility are capital assets.

This Town will capitalize new improvements other than buildings only if it meets the following conditions:

- 1) the total cost exceeds \$5,000, and
- 2) the useful life is greater than two years.

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A department will capitalize improvements or renovations to existing improvements other than buildings only if the result meets the following conditions:

- 1) the total cost exceeds \$5,000,
- 2) the asset's useful life is extended two or more years, and
- 3) the total cost will be greater than the current book value and less than the fair market value.

A department's donated improvements other than buildings will be recorded at fair market value on the date of transfer with any associated costs.

Purchases made using Federal or State funding will follow the source funding policies and above procedures.

"Historical Cost"

The cash equivalent price exchanged for goods or services at the date of acquisition. Land, buildings, equipment, and most inventories are common examples of items recognized under the historical cost attribute.

SECTION 2. - RECORDING AND ACCOUNTING:

The Town and its various departments shall classify capital expenditures as capital outlays within the fund from which the expenditure was made in accordance with the Chart of Accounts of the Cities and Towns Accounting manual. For purposes of recording fixed assets of the Town and its Departments, the valuation of assets shall be based on historical cost or where the historical cost is indeterminable, by estimation for those assets in existence.

The Town's municipally owned utilities shall record acquisition of fixed assets in accordance with generally accepted accounting principles. When an asset is purchased for cash, the acquisition is simply recorded at the amount of cash paid. Assets may be acquired under a number of other arrangements including:

1. Assets acquired for lump-sum purchase price
2. Purchase on deferred payment contract
3. Acquisition under capital lease
4. Acquisition by exchange of nonmonetary assets
5. Acquisition by issuance of securities
6. Acquisition by self-construction
7. Acquisition by donation or discovery

Some of these arrangements present special problems relating to the cost to be recorded, for example, in utility accounting, interest during a period of construction has long been recognized as a part of the asset cost. Reference to an intermediate accounting manual will illustrate the recording of acquisition of assets under the aforementioned acquisition arrangements. For purposes of recording fixed assets of the utilities the valuation of assets shall be based on historical cost.

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In addition, assets shall be recorded and maintained to provide a detailed record of the capital assets of the governmental unit.

SECTION 3. - SAFEGUARDING OF ASSETS:

Be it ordained that accounting controls be designed and implemented to provide reasonable assurances that:

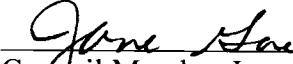
The recorded accountability for assets be compared with the existing assets at least every two years and appropriate action be taken with respect to any differences.

PASSED AND ADOPTED by the Nashville Town Council this 15th day of DECEMBER 2016.



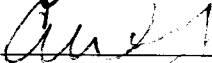
Council Member Charles B. King

☒ yea ☐ nay ☐ abstain



Council Member Jane Gore

☒ yea ☐ nay ☐ abstain



Council Member Alisha Gredy

☒ yea ☐ nay ☐ abstain



Council Member Arthur Omberg

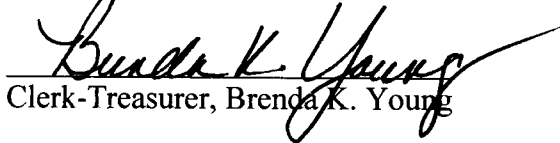
☒ yea ☐ nay ☐ abstain



Council Member Dave Rudd

☒ yea ☐ nay ☐ abstain

ATTEST:


Clerk-Treasurer, Brenda K. Young

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FIXED ASSET NOTIFICATION FORM

Attached Copies: ☐ P.O. ☐ Invoice

This notification is for: ☐ Addition ☐ Update ☐ Transfer ☐ Disposal ☐ Other _____

Acquisition is by: ☐ Purchase ☐ Donation ☐ Lease ☐ Transfer ☐ Other _____

DEPARTMENT ☐ General 101 _____ ☐ Water 601 _____
☐ Sewer 606 _____ ☐ MVH 201 _____
☐ Other _____

TYPE ☐ Land ☐ Building ☐ Improvements
☐ Machinery/Equipment ☐ Transportation ☐ Infrastructure

P. O. Date: _____ Invoice Date: _____

P.O Number: _____ Claim Number: _____ Check # _____

Description: _____

Year: _____ Brand or Make: _____ Model Number: _____

Serial or VIN Number : _____

Estimated Life Expectancy: _____ Mileage or Hours: _____

Total Value of Asset: _____ Partial Value of Asset: _____

(If donated fair market value, how determined, and date council approved)

If Disposed-Method: ☐ Sold \$ _____ ☐ Traded ☐ Junked ☐ Scrapped

☒ Other _____

☐ Stolen/Wrecked (Attach Police Report) ☐ End of Lease ☐ Transferred to: _____

Person Responsible: _____ Date: _____

Clerk-Treasurer Office Use Only

Insured Date: _____ Data Entry Initials: _____

Received: _____ Entered Fixed Asset: _____