

STATE OF INDIANA
CITY OF CHARLESTOWN
CHARLESTOWN CITY COUNCIL

ORDINANCE NO. 2011-OR-13

AN ORDINANCE AMENDING ORDINANCE 2006-OR-06

THIS ORDINANCE INCREASES THE VALUE OF
FIXED ASSETS FOR CAPITALIZATION

WHEREAS, The Charlestown City Council is the governing fiscal body of the City of Charlestown in Clark County, in the State of Indiana; and

WHEREAS, The Charlestown City Council desires to establish a fixed asset capitalization policy for the City and its various Departments and Utilities (Enterprise Zones).

NOW THEREFORE, BE IT ORDAINED by the City Council of Charlestown that:

Section 1 / 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 Asset": Tangible Assets of a durable nature employed in the operating activities of the unit and that is relatively permanent and is needed for the production or sale of goods or services are termed property, plant and equipment or 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, building, 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": The City of Charlestown will capitalize all land purchases regardless of cost. Exceptions to land capitalizations are land purchased outright, as easements, or right-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.

Original cost of land will include the full value given to the seller, including relocation, legal services incidental to the purchase (including title work and opinion), appraisal and negotiations fees, surveying and costs for preparing the land for its intended purpose (including contractors) and/or City workers (salary and benefits), such as demolishing buildings, excavating, clean up and/or inspection.

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

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

The City will capitalize and tag items with an individual value equal to or greater than \$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.

Shipping charges, consultant fees and any other cost directly associated with the purchase, delivery or set up, (including contractors) and/or city workers (salary and benefits), which makes such equipment operable for its intended purpose will be capitalized.

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

- (1) Total costs 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.

Example includes:

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 City 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.

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

"Buildings": A Department will capitalize buildings at full cost with no subcategories for 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.

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

- (1) The total cost exceeds \$5,000.00 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 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 fair market value.

Capital building costs will include preparation of land for the building, architectural and engineering fees, bond issuance fees, interest cost, (while under construction), accounting cost of 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 the above procedures.

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

Examples are walks, parking areas and drives, golf cart paths, fencing, retaining walls, pools, outside fountains, planter 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 city-owned land that provide support to out facilities are assets. A sidewalk down the road for public enjoyment is an infrastructure improvement and is not capitalized. However, sidewalks installed upon city-owned land for use by the public and for the support of our facility are capital assets.

The City will capitalize new improvements other than buildings only if it meets the following conditions:

(1) The total cost exceeds \$5,000.00 and (2) the useful life is greater than two years.

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 \$5,000.00,
- (2) The assets 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 the 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.

"Enterprise Funds": Those funds used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are recovered primarily through user charges; or (b) where the governing body 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 City of Charlestown, Indiana shall include the municipally owned water and sewage utilities. Operation of these utilities shall require enterprise fund accounting and reporting.

Infrastructure:

Infrastructure assets are longed-lived capital assets that normally can be preserved for a significant greater number of years than most capital assets and are normally stationary in nature. Examples include roads, bridges, sidewalks, street light, traffic signals, street signs, drainage system, and water systems. Infrastructure assets can include structures related directly to the infrastructure. Examples would include rest area facilities and road maintenance structures such as a shops and garages associated with a highway system, and water pumping buildings associated with water systems.

The historical reporting requirement of GASB 34 allows the unit to only include items put into use from 1980 forward. Procedures for the infrastructure reporting (Prior to January 1, 2002 are detailed in Attachment B.

Section 2 / Recording and Accounting

The City 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. The cost of property, plant and equipment includes all expenditures necessary to put the asset into position and ready for use. For purposes of recording fixed assets of the City 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 City'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, including all outlays relating to its purchase and preparation for intended use. Assets may be acquired under a number of other arrangements including:

1. Assets acquired at a lump-sum price.
2. Purchase on deferred payments contract.
3. Acquisition under capital lease.
4. Acquisition by exchange of non-monetary 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.

In addition, an asset register (prescribed form 211) shall be 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:

1. Capital expenditures made by the City, its various Departments and Utilities are in accordance with management's authorization as documented in the minutes.
2. Transactions of the Utilities are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles.

3. Adequate detailed records are maintained to assure accountability for City and Utility owned assets.
4. Access to assets are permitted in accordance with management's authorization.
3. The recorded accountability for assets are compared with the existing assets at least every two years and appropriate action taken with respect to any differences.

Section 4 / Savings Clause

If any section of this Ordinance shall be deemed unenforceable and/or not in compliance with any applicable statute or law by a court of competent jurisdiction, then to the extent permissible all other sections of this Ordinance shall remain in full force and effect.

Section 5/ Repealing Clause

All sections of any previous Ordinances and/or Resolutions that are inconsistent and/or contradictory to the above provisions of this Ordinance are hereby repealed.

Section 6 / Effective Date

This Ordinance shall be in full force and effect upon and after its passage by the Charlestown City Councilor as otherwise mandated by statute and/or rule.

ADOP.TED by the City Council of Charlestown, this 1st day of August 2011.

	AYE	NYE	ABSTAIN	ABSENT
<u>Scott McKechnie</u> Scott McKechnie-President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Terry Pierce</u>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>Dan Roberts</u> Dan Roberts	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Mark Goodlett</u> Mark Goodlett	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Jeff Aaron</u> Jeff Aaron	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

APPROVED: *G. Robert Hall*
G. Robert Hall, Mayor

DATE: 8-1-11

ATTEST: *Donna Coomer*
Donna Coomer, Clerk-Treasurer

DATE: 8-1-11