

ORDINANCE 2020- 32

AN ORDINANCE ESTABLISHING A FIXED ASSET CAPITALIZATION POLICY

ORDAINED BY THE BOARD OF COMMISSIONERS OF MARTIN COUNTY, INDIANA, THAT:

WHEREAS, the Board of Commissioners is the governing body of the County of Martin County, in the State of Indiana, and

WHEREAS, the Board of Commissioners of Martin County, Indiana, so desire to establish a capitalization policy for the County and its various Departments.

NOW, THEREFORE, BE IT ORDAINED by the Board of Commissioners of Martin County, in the State of Indiana:

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 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 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, buildings, improvements, 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 County will capitalize all land purchases regardless of cost. Exceptions to land capitalization are land purchased outright, such 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 negotiation fees, surveying and costs for preparing the land for its intended purpose (including contractors and/or County 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 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 the basic structure or building.

The County will capitalize and tag items with an individual value equal to or greater than \$5,000. Machinery combined with other machinery to form one unit with a total value greater than the above mentioned 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 County works [salary and benefits], which makes such equipment operable for its intended purpose will be capitalized.

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 costs exceed \$5,000
- 2) the useful life is extended one 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 Sheriffs vehicles are constantly changing light bars or radios to other vehicles, the County 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.

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 one years.

Capital building costs will 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:

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,
- 2) the useful life is extended one or more years, and
- 3) the total cost will be greater than the current book value and less than the fair market value.

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 one years.

Improvements do not include roads, streets, or assets that are of value only to the public. Roads or drives upon County-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 County-owned land for use by the public and for the support of our facility are capital assets.

The County will capitalize new improvements only if it meets the following conditions:

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

A department's donated improvements 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 County and its various departments shall classify capital expenditures as capital outlays within the fund from which the expenditure was made in accordance with the County Auditor's 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 County and its Departments, the valuation of assets shall be based on historical cost or where the historical cost is indeterminable, by estimation of those assets in existence.

All capital assets will be inventoried every year. A physical inventory will be the responsibility of each department head, or an appointed steward, to account for all capital assets at year-end, as well as inventory items that are simply tracked and inventoried. The physical inventory will include the following information for each asset: asset description, year of acquisition, method of acquisition, funding source, cost/value or estimated cost/value, and salvage value. The County Auditor may require an acquisition/disposition form to be filed and/or department access to the asset tracking software at her discretion.

The new reporting requirements are mandated by the Government Accounting Standards Board and are intended to enhance financial and operational accountability to the citizens of the county and all concerned constituents.

SECTION 3, DEPRECIATION AND USEFUL LIVES:

Depreciation is a method of allocation the cost of buildings and equipment over their useful lives. Generally accepted accounting principles dictate that the value of the capital asset must be written off as an expense over the useful life of the asset as an indirect cost. Annual depreciation expenses will be calculated using the composite/group method or straight-line method. Salvage value will be determined on an asset by asset basis. Depreciation will be calculated at the end of the year. Land is not depreciated according to general accepted accounting principles.

Following is the list of categories and sub-categories to be used for depreciation:

Composite/Group:

Roads & Bridges

Cement 50 years

Gravel 15 years

Asphalt 25 years

Brick or Stone 50 years

Straight-line Depreciation:

Office Furniture 20 years

Office Equipment 10 years

Vehicles 10 years

Heavy Equipment 10 years

Buildings 50 years

The Auditor of Martin County may create additional categories or sub-categories within the Policy, as the Auditor, in her discretion, deems reasonable.

SECTION 4. SAFEGUARD OF ASSETS:

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

1. Capital expenditures made by the County, its various Departments and Utilities be in accordance with management's authorization as documented in the minutes.
2. Adequate detailed records be maintained to assure accountability for County-owned assets.
3. Access to assets be permitted in accordance with management's authorization.
4. The recorded accountability for assets be compared with the existing assets at least every one years and appropriate action be taken with respect to any differences.

ORDAINED AND PASSED by the Martin County Board of Commissioners this

15 day of Dec, 2020.



Paul R. George, President



Kevin R. Boyd, Commissioner



Aaron C. Summers, Commissioner



Attest: Bobbie Abel, Auditor