

ORDINANCE NO. 2024-6-3

AN ORDINANCE AMENDING ORDINANCE NO. 1-01-02  
ESTABLISHING THE FIXED ASSET CAPITALIZATION POLICY

BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF KIRKLIN, INDIANA, THAT:

WHEREAS, the Town Council of the Town of Kirklin, Clinton County, Indiana desires to amend its capitalization policy for the Town and its various Departments and Utilities.

NOW, THEREFORE, BE IT ORDAINED by the governing body of the Town of Kirklin, in Clinton County, in the State of Indiana that Ordinance No. 1-01-02 is hereby amended as follows:

SECTION 1. – DEFINITIONS AND PROVISIONS:

For the purposes 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 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 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.

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.

This Town will capitalize and tag items with an individual value equal to or greater than Five Thousand Dollars (\$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, consultation fees, and any other cost directly associated with the purchase, delivery, or set up, (including contractors and/or Town employees [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 Five Thousand Dollars (\$5,000.00)
- 2) the useful life 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.

## 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. 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 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, 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 for a 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.

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 Town, its various Department and Utilities be in accordance with management's authorization as documented in the minutes.
2. Transactions of the utilities be recorded as necessary to permit preparation of financial statements in conformity with generally accepted principles.
3. Adequate detailed records be maintained to assure accountability for Town and Utility owned assets.
4. Access to assets be permitted in accordance with management's authorization.
5. The record accountability for assets be compared with the existing assets at least every two years and appropriate action be taken with respect to any differences.

ORDAINED AND PASSED by the Town Council of Kirklin, Indiana this 10<sup>th</sup> day of June, 2024.

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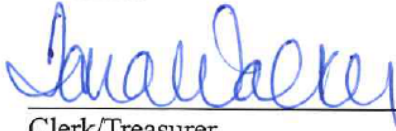
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Matt Munick



ATTEST:



Clerk/Treasurer