

RESOLUTION NO. 2021- 01

**A RESOLUTION TO ADOPT
THE CAPITAL ASSET MANAGEMENT POLICY
FOR THE TOWN OF MONROVIA, INDIANA**

WHEREAS, the Town Council (“Council”) of the Town of Monrovia, Indiana (“Town”) is responsible for the administration and delivery of local government services within the Town, in accordance with the authority bestowed by I.C. § 36-4 et seq.; and

WHEREAS, the Council is authorized to adopt a Capital Asset Management Policy for the Town; and,

WHEREAS, a Capital Asset Management Policy is desirable in order to facilitate the preparation of financial statements in conformity with generally accepted accounting principles, monitor the Town’s assets, infrastructure, and needs over time, and in order to satisfy recommendations and requirements of the Indiana State Board of Accounts; and,

WHEREAS, the Council believes that, for the reasons stated above, adopting and implementing a Capital Asset Management Policy is prudent, desirable, recommended, and the best and appropriate course of action to achieve the above, and therefore doing so is also in the best interest of the citizens of the Town.

NOW THEREFORE, be it resolved by the Monrovia Town Council that:

1. The Town of Monrovia Capital Asset Management Policy (“Policy”), a copy of which is attached hereto and made a part hereof, is adopted, effective May 24, 2021.
2. The Policy adopted herein supersedes and replaces any prior policy, resolution, ordinance or other document that may contradict any term herein or in the Policy.

ALL OF WHICH IS RESOLVED AND ADOPTED this 24th day of May, 2021.

MONROVIA TOWN COUNCIL



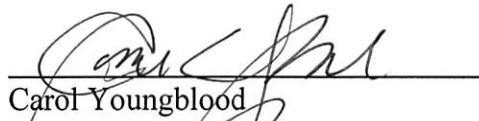
PHILIP ~~Philip~~ Fowler, President



Bonne Silsby-Inman, Vice President



Kevin Collier



Carol Youngblood



Loren Moore

ATTEST:



Danny Chenault, Clerk-Treasurer

**TOWN OF
MONROVIA
CAPITAL ASSET
MANAGEMENT
POLICY**

PURPOSE: The purpose of this policy is:

1. To describe the policies and procedures to be utilized in the Town of Monrovia's capital asset management system;
2. To put in place guidelines for accounting for and depreciating the Town of Monrovia's capital assets;
3. To ensure that the Town of Monrovia's capital assets are accounted for in conformance with generally accepted accounting principles; and
4. To establish a consistent and cost-effective method for accounting of the Town of Monrovia's capital assets.

AUTHORITY: The Town Council of the Town of Monrovia.

APPLICATION: This policy applies to all Departments, Councils, Boards, Commissions, and any other public entity within the government of the Town of Monrovia.

RESPONSIBILITY: The Town of Monrovia Clerk Treasurer and/or designee shall be responsible for implementation of this policy and ongoing compliance therewith.

DEFINITIONS: See attachment entitled "Glossary of Terms".

CAPITAL ASSET MANAGEMENT POLICY

I. Threshold

Effective as of May 24, 2021, the Town of Monrovia will capitalize individual assets other than Buildings, Building Improvements, Land Improvements, and Infrastructure with a value or cost in excess of \$5,000.00 that has an estimated useful life of at least two (2) years.

The capitalization threshold for Buildings and Building Improvements shall be \$50,000.00.

The capitalization threshold for Land Improvements shall be \$25,000.00.

Assets acquired with debt proceeds may be capitalized regardless of cost.

Assets acquired prior to May 24, 2021 and capitalized at a lower threshold may continue to be depreciated on the basis of past practice.

Effective May 24, 2021, infrastructure projects and improvements shall be capitalized so as to substantially account for the Town of Monrovia's investment in infrastructure, with due consideration to any related debt.

Individual assets that cost less than \$5,000.00, but that operate as a part of a network system may be capitalized in the aggregate, using the group method, if the estimated average useful life of the individual asset is at least two (2) years. A network is defined as a cohesive system that functions together for a common purpose, but that is comprised of separate and independent components or parts (i.e., computer systems, telephone systems, etc.). The overriding value to the Town of Monrovia is on the entire network, not the individual component or part.

II. Valuation

In accordance with generally accepted accounting principles, the Town of Monrovia will value its capital assets at historical cost(s) and value(s). In determining the historical cost, due consideration will be made as to the cost or estimated cost at the time of acquisition; freight charges; installation; site preparation; and subsequent additions and improvements.

If a capital asset is donated to the Town of Monrovia, the asset will be valued based on the fair market value at the time ownership of such asset is vested in the Town.

III. Capital Assets Inventory Report

As part of the financial audit, the Clerk Treasurer shall submit a capital asset report to the Town of Monrovia's external auditor on an annual basis. This report shall include the following information:

- a. Type of asset (i.e., land, building, infrastructure);
- b. Date of acquisition;
- c. Acquisition cost;
- d. Estimated useful life;
- e. Annual depreciation; and,
- f. Accumulated depreciation

IV. Depreciation

The Town of Monrovia will use the Straight-Line Method as its "Basic Approach" or standard approach to depreciate capital assets.

The Modified Approach, which does not require depreciation, may be used on infrastructure assets whenever applicable.

V. Estimated Useful Lives

The following ranges are guidelines to be used to estimate the useful life of an asset for the purpose of depreciation:

- a. Building and Structures: 20-50 Years
- b. Vehicles: 4-15 Years
- c. Other Equipment: 3-25 Years
- d. Infrastructure: 20-100 Years

VI. Capital vs. Repair and Maintenance Expense

The following criteria shall be used as the basis for distinguishing a certain cost as either a capital expense or as a repair and maintenance expense:

With respect to improvements on non-infrastructure and infrastructure capital assets, using the Basic Approach, costs should be capitalized if the useful life of the asset is substantially extended, or the cost results in a substantial increase in the capacity or efficiency of the asset(s). Otherwise, the cost should be expensed as repair and maintenance.

With respect to improvements on infrastructure capital assets under the Modified Approach, costs should be capitalized if expenditures substantially increase the capacity or efficiency of an infrastructure.

Otherwise, costs, including those that preserve the useful life of an infrastructure asset, are expensed.

VII. Inventory

For internal control purposes, the Town of Monrovia may maintain an inventory listing of certain assets (controlled equipment) that do not meet the above-referenced capitalization amounts. Controlled equipment includes items that should be specifically accounted for and inventoried periodically due to the high re-sale value of the equipment and potential risk of theft. Controlled equipment may include items such as computers, construction equipment, and other office equipment. Each Department, Council, Board, or Commission of the Town is responsible for all controlled equipment within its control and area of responsibility.

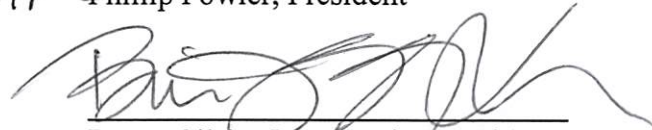
VIII. Disposal and Transfer of Town of Monrovia Assets


Disposition of assets owned by the Town of Monrovia shall be performed in accordance with applicable policies, procedures, and ordinances of the Town and in accordance with Indiana Code.

This Capital Asset Management Policy is hereby approved, on this 24th day of May, 2021, and shall take effect upon execution.

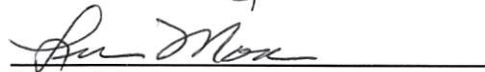
MONROVIA TOWN COUNCIL



PHILIP ~~Phillip~~ Fowler, President


Bonne Silsby-Inman, Vice President


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Carol Youngblood


Loren Moore

ATTEST:

Danny Chenault, Clerk-Treasurer

TOWN OF MONROVIA CAPITAL ASSET MANAGEMENT POLICY GLOSSARY OF TERMS

Capital Assets: Capital assets include land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, easements, in tangible assets (such as computer software), and works of art and historical treasures.

Capitalization: Capitalization of an asset occurs when the cost of the asset meets the “threshold” and the “estimated useful life” set in the organizational guidelines. Under capitalization, the cost of an item is initially recorded as an asset rather than an expense.

Depreciation: Depreciation is the process of allocating the cost of property over a period of time, rather than recognizing the cost as an expense in the year of acquisition. Generally, at the end of an asset’s life, the sum of the amounts charged for depreciation in each accounting period (accumulated depreciation) will equal the original cost less salvage value.

Donated Capital Asset: Donated assets are those assets contributed to the Town of Monrovia. The donated assets are treated like a capital asset (using the fairmarket value).

Estimated Useful Life: Estimated useful life means the estimated number of months or years that an asset will be able to be used for the purpose for which it was purchased. In determining useful life, consideration is given to the asset’s present condition, use of the asset, construction type, maintenance policy, and how long it is expected to meet service demands.

Fair Market Value: The amount that would be paid if the item were sold currently in a transaction between a willing buyer and a willing seller.

Historical Cost: The historical cost of a capital asset includes the cost or estimated cost at the time of acquisition, freight charges, installation and site preparation charges, and the cost of any subsequent additions or improvements, excluding repairs.

Infrastructure Assets: Infrastructure assets are long-lived capital assets that can normally be preserved for a significant greater number of years than most capital assets (non-infrastructure assets). Infrastructure assets are normally stationary in nature and are only of value to the government entity. Examples include the Town of Monrovia Wastewater System.

Modified Approach: The Modified Approach is the election *not* to depreciate infrastructure assets that are part of a network that meet two specific requirements. The government entity manages the eligible infrastructure assets using an asset management system that has certain specified characteristics. To meet this requirement the asset management system should: Have an up-to-date inventory of eligible infrastructure assets within the network for which the modified approach is adopted. Perform or obtain

condition assessments (physical assessment) on infrastructure assets and summarize the results using a measurement scale. The condition assessment must be performed at least every three years. The condition assessments must be replicable (conducted using methods that would allow different measurers to reach substantially similar results). Each year, the government entity must estimate the amount needed to maintain and preserve infrastructure assets at a condition level established and disclosed by the government entity. The government entity documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by that government entity. If any of the above conditions are not met, reporting must revert back to the depreciation method.

Salvage Value: The salvage value of an asset is the value it is expected to have when it is no longer useful for its intended purpose. In other words, the salvage value is the estimated amount for which the asset could be sold at the end of its useful life.

Straight-Line Method: The straight-line method is the simplest and most commonly used for calculating depreciation. It can be used for any depreciable property. Under the straight-line method, the basis of the asset is written off evenly over the useful life of the asset. The same amount of depreciation is taken each year. In general, the amount of annual depreciation is determined by dividing an asset's depreciable cost by its estimated life.

Threshold: The threshold is the dollar amount that an asset must equal or exceed if that asset is to be capitalized. Otherwise, the item would be considered as an expense at the time of acquisition.

CITY AND TOWN
CAPITAL ASSETS LEDGER

FUND _____

Form Prescribed by State Board of Accounts

City and Town Form 211 (Revised 2003)

Date of Purchase	Description Include Name of Department or Office if General Fund	Serial/ Identification Number	Location of Asset	Original Cost of Asset	Estimated Life of Asset	Date of Disposal of Asset	Amount Received on Disposal or Trade in	Types of Capital Assets					Total Capital Assets	
								Land	Infrastructure	Buildings	Improvements Other Than Buildings	Machinery and Equipment		Construction in Progress
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SAMPLE