

# CAPITAL ASSETS AND YOU

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## BEST PRACTICES AND PRINCIPLES FOR CLERK TREASURERS

Presenters: Eric Reedy, CPA – President, Katelyn Shafer, MS Acct. – Manager &  
Michael Griffin, IAMC/MMC/CPFA/CPFIM/CMO – Clerk Treasurer, Town of Highland

Prepared by: Reedy Financial Group P.C.



# MEET THE PRESENTERS

- **Eric Reedy**, CPA – President & Managing Partner
  - Graduated from Ball State University in 1992
    - Certified Public Accountant since February, 1997
  - Over 25 years of experience with extensive knowledge of:
    - Utility Financial Management
    - Utility Cost of Service Rate Studies
    - Municipal Finance
    - Budgeting
    - Accounting
    - Long-term Operational and Capital Improvement Planning
  - Eric regularly attends AWWA and GFOA functions pertaining to the aforementioned topics



# MEET THE PRESENTERS

- **Katelyn Shafer**, MS. Accounting - Manager
  - Joined Reedy Financial Group in January, 2015
    - Pursuing CPA certification
  - Continues to develop her practice in the areas of:
    - Utility Consulting
    - Accounting & Bookkeeping
    - Municipal Utility Finance
    - Bank Reconciliations
    - Financing Transactions Involved in Utility Bond Issuances



# MEET THE PRESENTERS

- **Michael W. Griffin**, IAMC/MMC/CPFA/CPFIM/CMO

- Born and raised in Highland
  - Took office as Highland Clerk-Treasurer on January 2<sup>nd</sup>, 1992
- Graduated from Indiana University – B.A. with honors
- Graduated from Indiana University Northwest – M.P.A., *Pi Alpha Alpha*
- Frequent presenter throughout Indiana and neighboring states on topics related to:
  - Public Service
  - Good Government
  - Ethics
  - Public Finance
  - Municipal Clerk's Profession



**ONCE UPON A TIME...**

# THERE WAS THIS FIRE TRUCK...



# THIS FIRE TRUCK WASN'T LIKE OUR NORMAL EXPENSES



**WE WILL BE USING THIS FIRE TRUCK FOR A LONG TIME  
SHOULD WE ACCOUNT FOR IT DIFFERENTLY?**



# AND NOW...BACK TO REALITY



# WHERE TO BEGIN...WHAT IS A CAPITAL ASSET?

- IF THE ITEM(S) IN QUESTION WILL BE OF BENEFIT FOR MULTIPLE YEARS, THEN IT SHOULD BE CAPITALIZED
- CAPITAL ASSETS INCLUDE:
  - LAND & EASEMENTS
  - BUILDINGS AND IMPROVEMENTS
  - VEHICLES
  - MACHINERY/EQUIPMENT
  - INFRASTRUCTURE

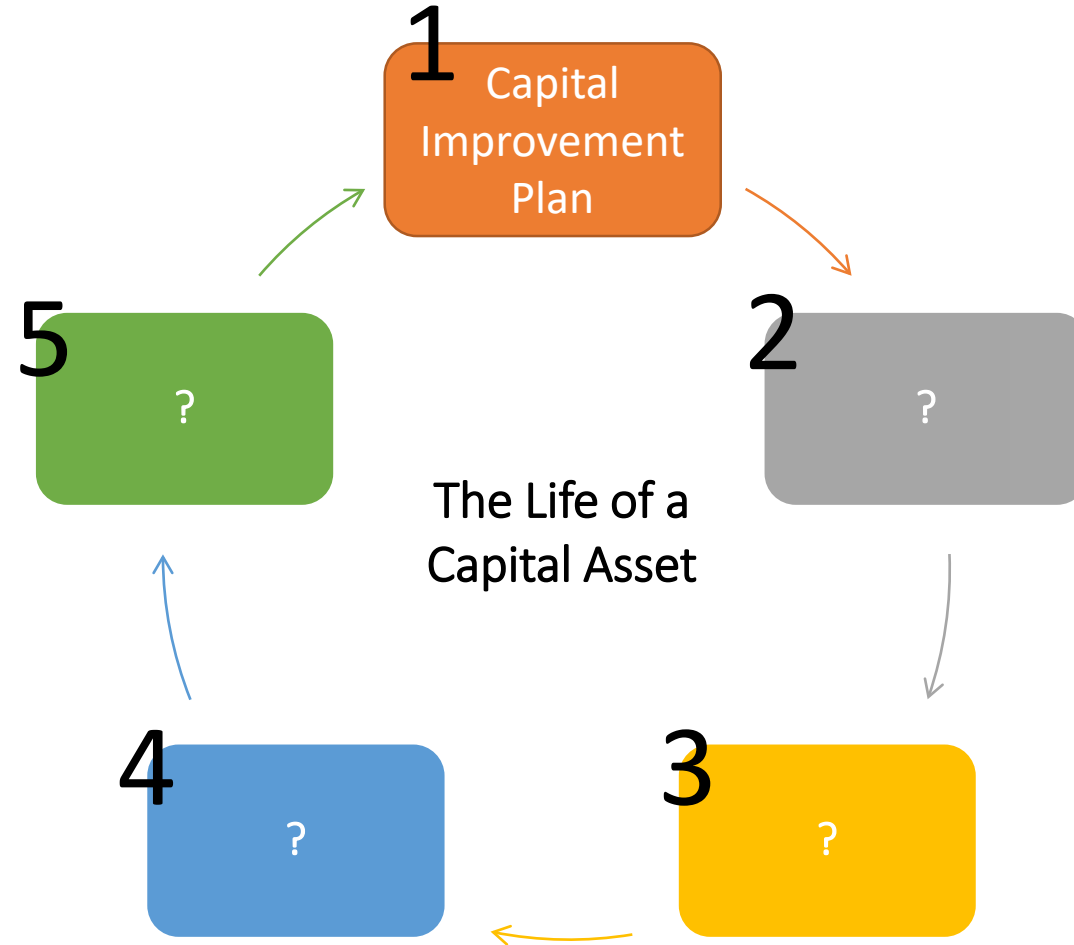


# WHY DOES IT MATTER?

- ALL THE WAY BACK IN JUNE 1999...
  - GASB STATEMENT 34 WAS ISSUED
    - FUNDAMENTAL REGULATORY CHANGES WERE MADE
      - INCLUDING CAPITAL ASSET ACCOUNTING AND REPORTING



# CAPITAL ASSETS HAVE A LIFE CYCLE...

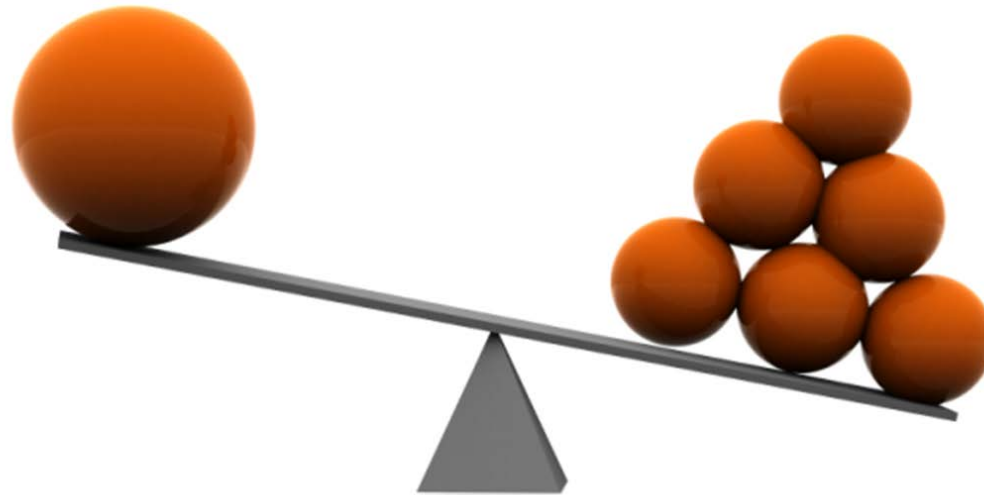


The Life of a  
Capital Asset

# START WITH A LONG-TERM PLAN

- **LONG-TERM CAPITAL IMPROVEMENT PLAN**
  - **DEPARTMENT REQUESTS THEN PRIORITIZE**
    - **WITHIN AVAILABLE FUNDING (OPPORTUNITIES)**

Revenue =  
Operation &  
Maintenance  
Expense + Long-  
Term Capital  
Needs (Funding  
Structure)



# CAPITAL IMPROVEMENT PLAN

## CITY OF LARAMIE

Capital Improvement Plan - Non-Enterprise Funds

Sources & Uses Summary

	2020	2021	2022	2023	2024	Totals
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**HERE IS OUR LADDER TRUCK!**

### Capital Funding Needs:

Ladder Truck	\$ 1,000,000					\$ 1,000,000
3/4 Ton Truck		\$ 60,000				\$ 60,000
Swimming Pool			\$ 5,000,000			\$ 5,000,000
Police Car Replacement Plan	\$ 60,000	\$ 90,000	\$ 60,000	\$ 90,000	\$ 60,000	\$ 360,000
2nd Street Road Improvements				\$ 2,000,000		\$ 2,000,000
General Road Improvements	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 875,000
City Hall Repairs					\$ 450,000	\$ 450,000
<b>Totals</b>	<b>\$ 1,235,000</b>	<b>\$ 325,000</b>	<b>\$ 5,235,000</b>	<b>\$ 2,265,000</b>	<b>\$ 685,000</b>	<b>\$ 9,745,000</b>

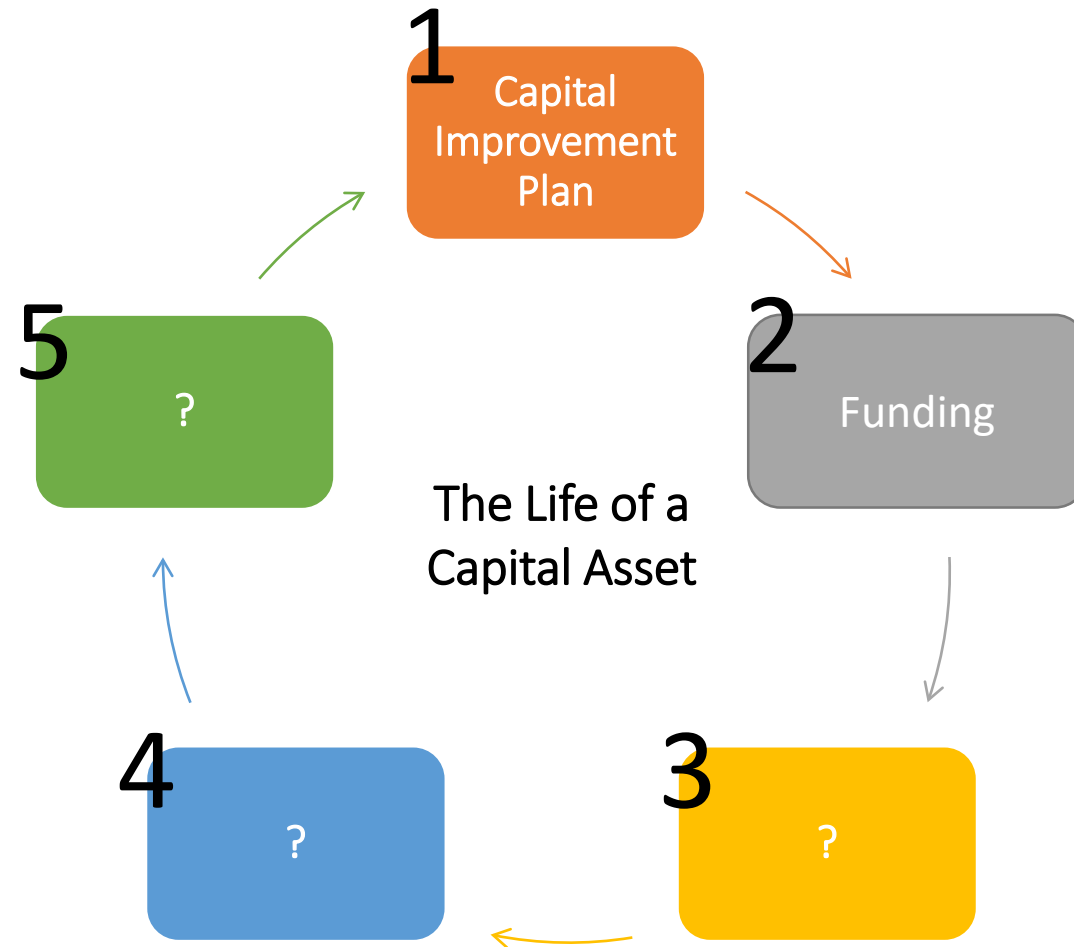
### Funding Sources:

Capital Funds (CCD)	\$ 60,000	\$ 150,000	\$ 60,000	\$ 90,000	\$ 150,000	\$ 510,000
Major Operating Funds (MVH, LRS, LIT, General Fund)	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 535,000	\$ 1,235,000
General Obligation Bond Proceeds	\$ 1,000,000			\$ 1,000,000		\$ 2,000,000
Lease Rental Bond Proceeds			\$ 5,000,000			\$ 5,000,000
Other (Grants)				\$ 1,000,000		\$ 1,000,000
<b>Totals</b>	<b>\$ 1,235,000</b>	<b>\$ 325,000</b>	<b>\$ 5,235,000</b>	<b>\$ 2,265,000</b>	<b>\$ 685,000</b>	<b>\$ 9,745,000</b>
<b>Excess/(Deficit) in Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**BALANCED!**

# WHY DO WE NEED A CAPITAL IMPROVEMENT PLAN?

- **WHAT ARE THE BENEFITS?**
  - **ORGANIZED**
    - **DECISION MAKERS CAN MAKE INFORMED DECISIONS (PRIORITIES)**
  - **MATCHES NEEDS TO SOURCES (OPPORTUNITIES)**
  - **WILL HELP SECURE A BETTER BOND RATING**
    - **= LOWER INTEREST RATE**





# NOW LET'S SECURE FUNDING...

- **CAPITAL FUNDS**
  - **CCD RATE POLICY**
    - **CITY/TOWN MAX = \$.05 “IC 36-9-15.5”**
- **MAJOR OPERATING FUNDS**
  - **NET REVENUE AFTER OTHER EXPENSES**
- **BONDING CAPACITY**
  - **REVENUE BONDS – COVERAGE**
  - **GO BONDS – CONSTITUTIONAL LIMIT “IC 36-1-15-6”**
  - **LEASE RENTALS – BLDG CORP**
- **UTILITY SHARED EXPENSES (FEE BASED REVENUES)**
- **GRANTS**

REMEMBER, IT'S A  
BALANCING ACT!



# EXISTING “CAPITAL” FUNDS. IF THE SHOE FITS...

- **HOW DOES YOUR CCD RATE LOOK?**
  - **CAN BE RE-ESTABLISHED BACK TO MAX – IC 6-1.1-41**
- **DOES YOUR CITY/TOWN RECEIVE LIT ECONOMIC DEVELOPMENT AND/OR LIT PUBLIC SAFETY**
  - **IF SO, THINK ABOUT HOW IT IS BEING ALLOCATED**
    - **AGAIN, FOLLOWING A CAPITAL PLAN WILL HELP!**
    - **LOOK AT OPERATING FUNDS (MORE TO COME)**



# WHAT DOES A PLAN LOOK LIKE?

## CITY OF LARAMIE

Cumulative Capital Development Fund  
 Projected Revenues and Expenditures  
 May 06, 2019

	2016 Actual	2017 Actual	2018 Actual	2019 Projected	Actual Thru April 30, 2019	2020 Projected	2021 Projected	2022 Projected
January 1 cash balance	\$ 100,000	\$ 95,141	\$ 102,892	\$ 105,005	\$ 105,005	\$ 112,233	\$ 114,461	\$ 116,689
Prior year encumbrance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
January 1 fund balance	\$ 100,000	\$ 95,141	\$ 102,892	\$ 105,005	\$ 105,005	\$ 112,233	\$ 114,461	\$ 116,689
Plus: Revenues								
Property taxes (circuit breaker included in actual years)				\$ 65,000		\$ 65,000	\$ 65,000	\$ 65,000
Circuit breaker from abstract				\$ (5,000)		\$ (5,000)	\$ (5,000)	\$ (5,000)
Net Property Taxes	\$ 57,231	\$ 58,154	\$ 59,777	\$ 60,000	\$ -	\$ 60,000	\$ 60,000	\$ 60,000
FIT	\$ 1,313	\$ 1,313	\$ -	\$ 973	\$ -	\$ 973	\$ 973	\$ 973
Vehicle Excise Tax	\$ 6,063	\$ 6,063	\$ 6,063	\$ 6,255	\$ -	\$ 6,255	\$ 6,255	\$ 6,255
CVET	\$ 534	\$ 534	\$ 534	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ -	\$ 1,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>\$ 65,141</b>	<b>\$ 67,752</b>	<b>\$ 67,112</b>	<b>\$ 67,228</b>	<b>\$ -</b>	<b>\$ 67,228</b>	<b>\$ 67,228</b>	<b>\$ 67,228</b>

**TOTAL  
REVENUE**



# WHAT DOES A PLAN LOOK LIKE?

	2016 Actual	2017 Actual	2018 Actual	2019 Projected	Actual Thru April 30, 2019	2020 Projected	2021 Projected	2022 Projected
Less Expenditures:								
Certified Budget	\$ 60,000	\$ 60,000	\$ 65,000	\$ 60,000		\$ 65,000	\$ 65,000	\$ 60,000
Plus: Adjustments	\$ -	\$ -	\$ -	\$ -				
Total Spending Authority	\$ 60,000	\$ 60,000	\$ 65,000	\$ 60,000				
Personal Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Services and Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlays	\$ 70,000	\$ 60,000	\$ 65,000	\$ 60,000	\$ -	\$ 65,000	\$ 65,000	\$ 60,000
Other Disbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less Expenditures	\$ 70,000	\$ 60,000	\$ 65,000	\$ 60,000	\$ -	\$ 65,000	\$ 65,000	\$ 60,000
% Unused Appropriation	-16.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Projected Unused Appropriations	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Capital Improvement Plan</b>	<b>\$ 65,000</b>	<b>\$ 65,000</b>	<b>\$ 65,000</b>	<b>\$ 60,000</b>		<b>\$ 65,000</b>	<b>\$ 65,000</b>	<b>\$ 60,000</b>
<b>Actual Capital Spending/2020 Form 1 Requests</b>	<b>\$ 70,000</b>	<b>\$ 60,000</b>	<b>\$ 65,000</b>	<b>\$ 60,000</b>		<b>\$ 65,000</b>	<b>\$ 65,000</b>	<b>\$ 60,000</b>
<b>Over/(Under) Capital Improvement Plan</b>	<b>\$ 5,000</b>	<b>\$ (5,000)</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Total Expenditures	\$ 70,000	\$ 60,000	\$ 65,000	\$ 60,000	\$ -	\$ 65,000	\$ 65,000	\$ 60,000
Revenues Over/(Under) Expenditures	\$ (4,859)	\$ 7,752	\$ 2,112	\$ 7,228	\$ -	\$ 2,228	\$ 2,228	\$ 7,228
Equals: Year End Fund Balance	\$ 95,141	\$ 102,892	\$ 105,005	\$ 112,233	\$ 105,005	\$ 114,461	\$ 116,689	\$ 123,918

POLICE CAR REPLACEMENT PER "CIP"

IT'S A GOOD IDEA TO TRACK YEARLY SPENDING VERSUS PLAN

# WHAT ABOUT OPERATING FUNDS?

- **FUND CAPITAL WITH OTHER SOURCES/FUNDS FIRST**
  - **GRANTS AND CAPITAL FUNDS**
- **MAINTAIN MINIMUM CASH RESERVE (POLICY-CASH-FLOW)**
  - ESPECIALLY IN GENERAL FUND
    - INTEREST, FEES, AND RENTAL REVENUE CAN BE RECEIPTED INTO THE GENERAL FUND
      - IN COMPLIANCE W/STATUTE AND LOCAL ORDINANCE
  - ALLOCATE PROPERTY TAX/LIT AS NEEDED
- **TRY TO TIE USES TO SOURCES**
  - NEW STREET SWEEPER = MVH FUND
- **CHECK FOR DORMANT FUNDS**

# TAKE ADVANTAGE OF GRANTS!

## ARE YOU APPLYING FOR GRANTS EVERY YEAR?

- **ROAD CONSTRUCTION**
  - **COMMUNITY CROSSINGS GRANT**
- **COMMUNITY & ECONOMIC DEVELOPMENT PROJECTS**
  - **CONTACT YOUR COMMUNITY LIAISON WITHIN OCRA**
- **PROJECTS RELATED TO THE DISABLED**
  - **ADA-INDIANA**
- **PROJECTS RELATED TO PARKS & REC**
  - **INDIANA DNR**

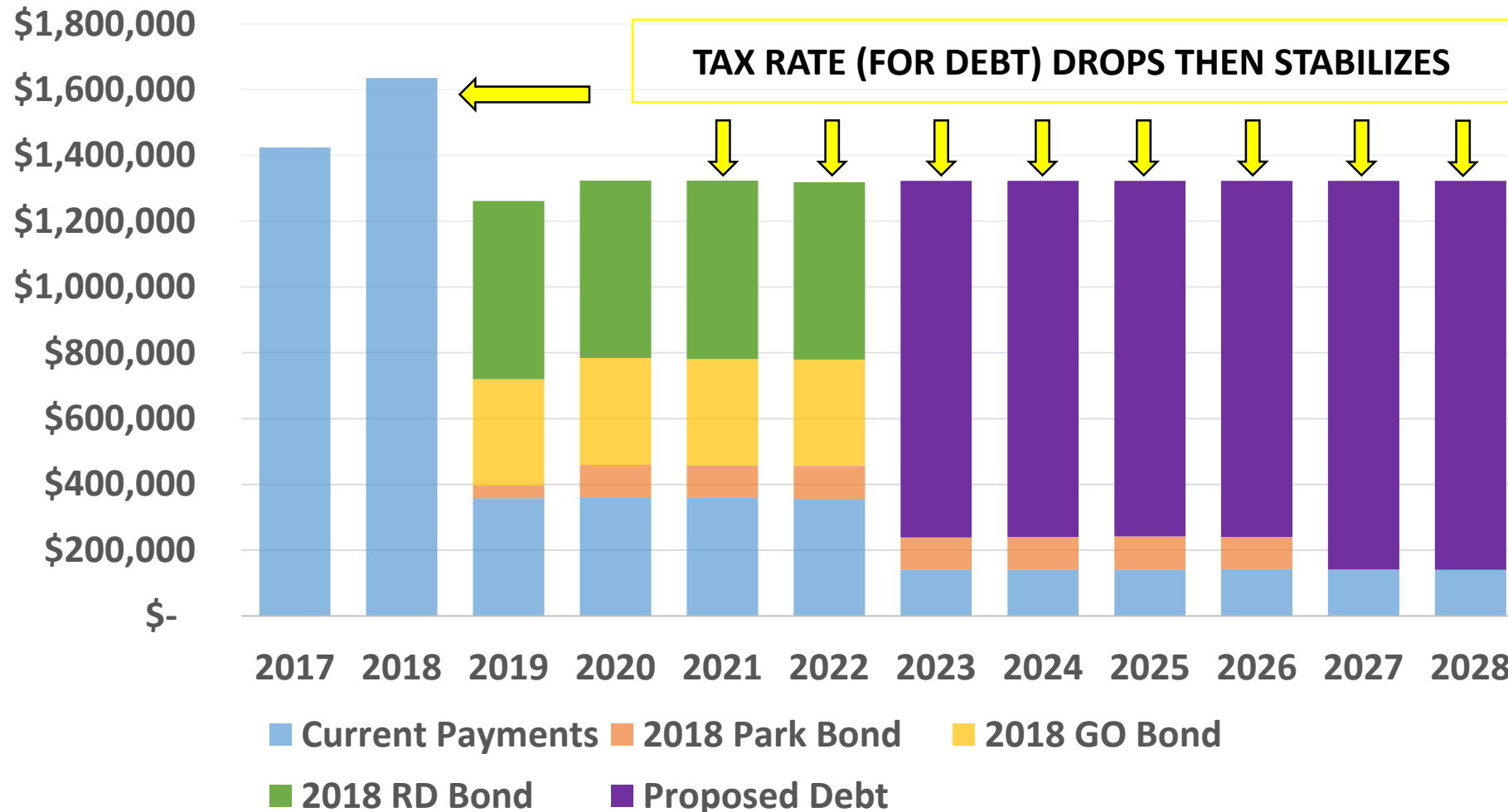
# WHY CONSIDER DEBT?

- **ADDS A LAYER OF FLEXIBILITY**
  - **FUND PROJECTS SOONER**
- **OFFSETS TIMING ISSUES**
  - **NET REVENUE VS EXPENSE (CAPITAL NEEDS)**
- **CASH-FLOW MORE CLOSELY MATCHES USEFUL LIFE**
  - **LESS ONE-TIME EXPENSE BURDEN**
- **YES, DEBT COSTS MONEY (TAX RATE INCREASE)**
  - **MAINTAIN LEVEL DEBT RATE (MORE TO COME)**

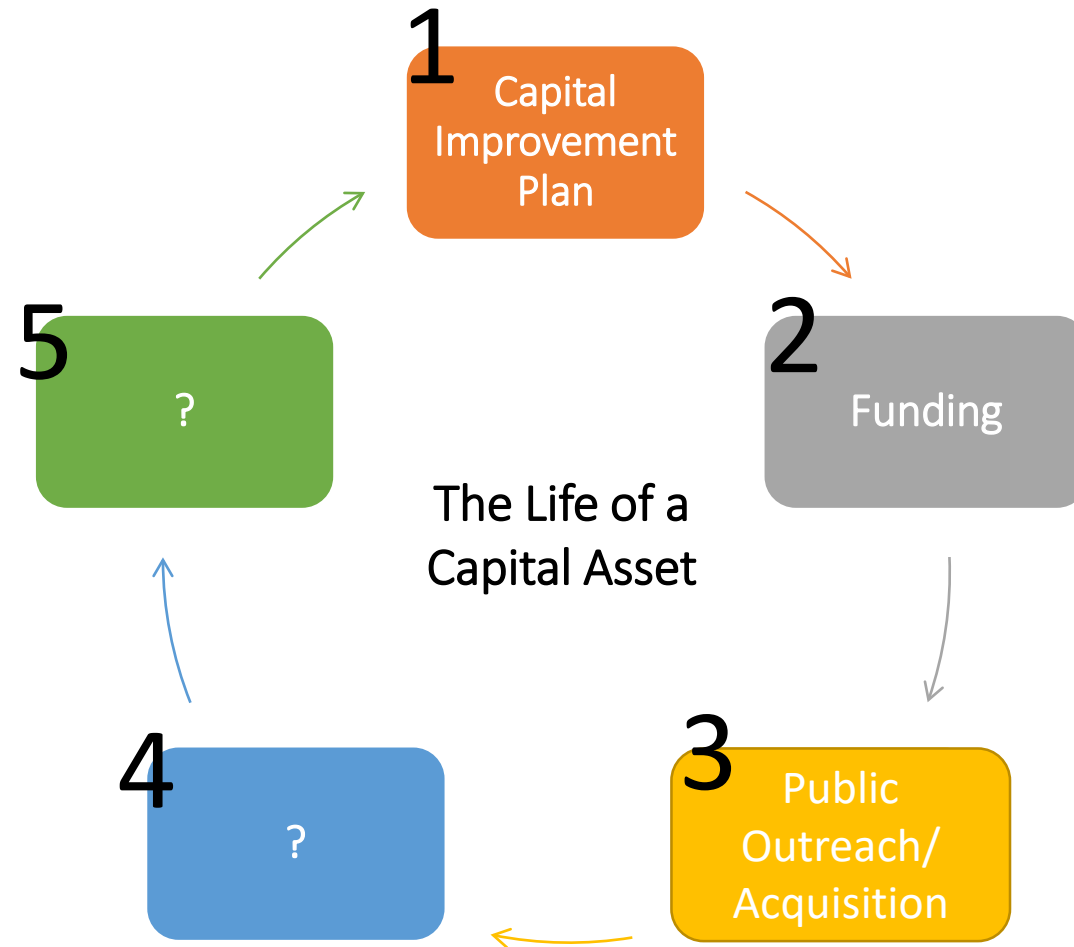


# MAINTAINING A LEVEL DEBT RATE

## CURRENT & PROPOSED DEBT







The Life of a  
Capital Asset

# PREPARE TO INFORM THE COMMUNITY!

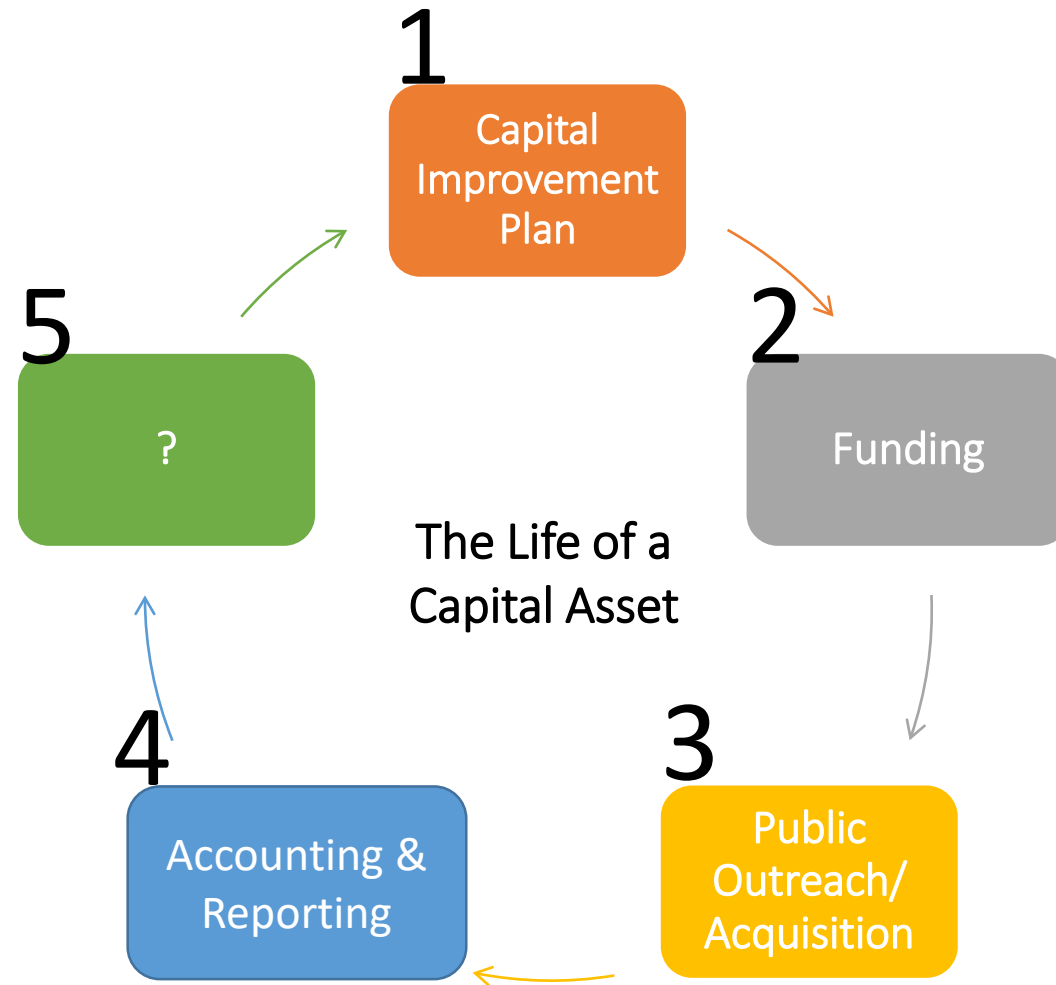
## PLAN FROM THE START

- **TIMING IS CRUCIAL**
  - IF ISSUING BOND = SYNC SCHEDULE WITH PUBLIC COMMUNICATIONS
- **REVIEW PRESENTATION - PREPARED IN ADVANCE**
- **BE PREPARED FOR MEDIA**
  - 3 TALKING POINTS

# TALKING TO THE PUBLIC? KEEP IN MIND...

- **WHAT IS THE OVERALL MESSAGE?**
- **WHAT IS THE OUTCOME (DECISION) WE NEED?**
- **CAN WE PROVIDE ALTERNATIVES?**
- **WHAT KEY QUESTIONS MIGHT THE AUDIENCE HAVE?**
  - **WILL FOLLOW-UP QUESTIONS ARISE?**
- **WHO WILL GIVE THE PRESENTATION?**
  - **WILL THE PRESENTER BE ABLE TO SUMMARIZE?**





WE HAVE TO PRIORITIZE A DOWNPAYMENT.



# HOW TO CATEGORIZE CAPITAL ASSETS

- ASSETS ARE TYPICALLY CATEGORIZED BY USEFUL LIFE

ASSET CATEGORIES - BY ESTIMATED USEFUL LIFE	
LAND	DOES NOT DEPRECIATE
BUILDINGS	40 YEARS
IMPROVEMENTS	20 YEARS
FURNISHINGS & EQUIPMENT	3-10 YEARS
INFRASTRUCTURE	40 YEARS

- ESTIMATED LIFE (ENGINEER ESTIMATE) NOT ALWAYS IN LINE WITH PRACTICAL LIFE
  - 10 YEAR EQUIPMENT MAY IN PRACTICE LAST 15 YEARS
  - REMEMBER TO CONSIDER REPAIR EXPENSE VERSUS REPLACEMENT COST (I.E. ROAD REPAIRS)



# ARE THERE ASSET LISTING RULES?

- STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) – FIXED ASSET SECTION
- CAPITAL ASSETS REPORT – VIA GATEWAY
- SBOA HAS GUIDELINES:
  - <https://www.in.gov/sboa/4466.htm> - CITIES
  - <https://www.in.gov/sboa/4459.htm> - TOWNS
    - ACCOUNTING & FINANCIAL REPORTING MANUAL
    - UNIFORM COMPLIANCE GUIDELINES
    - 3 PART PHASE-IN REQUIREMENT PER IC 5-11-1-4
- IS YOUR UTILITY REVENUE > \$1 MILLION?
  - **IF SO, DOUBLE-ENTRY ACCOUNTING IS REQUIRED** (SMALL UTILITY ACCOUNTING MANUAL – NARUC UNIFORM SYSTEM OF ACCOUNTS)
  - **IURC EXPECTS REGULATED UTILITIES TO USE REGARDLESS OF REVENUE**



# ACCRUAL ACCOUNTING PHASE-IN

## IC 5-11-1-4

- **COUNTIES AND MUNICIPALITIES **MUST** USE DOUBLE-ENTRY (ACCRUAL) ACCOUNTING AS FOLLOWS:**
  - 1. AFTER JUNE 30, 2017 & BEFORE JULY 1, 2019**
    - COUNTY > 250,000 & MUNICIPALITY > 250,000
  - 2. AFTER JUNE 30, 2019 & BEFORE JULY 1, 2020**
    - COUNTY > 175,000 & MUNICIPALITY > 100,000
  - 3. AFTER JUNE 30, 2020**
    - COUNTY > 100,000 & MUNICIPALITY > 75,000



# HOW DO WE ACCOUNT FOR ASSETS?

- **DOUBLE ENTRY ACCOUNTING – DEBITS & CREDITS**

**CAPITALIZE!**

EQUIPMENT – LADDER TRUCK	<u>Debit</u>	<u>Credit</u>
CASH	\$1,000,000	\$1,000,000

- **WE RECEIVED A LADDER TRUCK (DEBIT) WHICH WE PAID FOR WITH CASH (CREDIT)**

# LET'S DEPRECIATE THE LADDER TRUCK

**YEAR 1**



DEPRECIATION EXPENSE  
ACCUMULATED DEPRECIATION

<u>Debit</u>	<u>Credit</u>
\$100,000	
	\$100,000



- **RECORD DEPRECIATION EACH YEAR (STRAIGHT-LINE)**
- **TRUCK WILL BE FULLY DEPRECIATED BY YEAR 10**

**YEAR 10**



DEPRECIATION EXPENSE  
ACCUMULATED DEPRECIATION

<u>Debit</u>	<u>Credit</u>
\$100,000	
	\$1,000,000



# TAKING IT A STEP FURTHER...

## USE BOND ISSUE TO FUND NEW SEWER PLANT:

	<u>Debit</u>	<u>Credit</u>
CASH	\$30,000,000	
BOND PAYABLE		\$30,000,000

## AS SEWER PLANT IS BEING CONSTRUCTED:

	<u>Debit</u>	<u>Credit</u>
CONSTRUCTION IN PROGRESS	\$1,500,000	
CASH		\$1,500,000

## WHEN SEWER PLANT CONSTRUCTION IS COMPLETE:

	<u>Debit</u>	<u>Credit</u>
INFRASTRUCTURE – UTILITY PLANT IN SERVICE	\$30,000,000	
CONSTRUCTION IN PROGRESS		\$30,000,000

## AFTER IN SERVICE, START DEPRECIATING (\$30M/30 YEARS):

	<u>Debit</u>	<u>Credit</u>
DEPRECIATION EXPENSE	\$1,000,000	
ACCUMULATED DEPRECIATION		\$1,000,000

# STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

ASSETS:	<u>YE 201X</u>	LIABILITIES & FUND BALANCE:	<u>YE 201X</u>
Current and Accrued Assets:		Current and Accrued Liabilities:	
Operating Cash	\$ 1,000,000	Loan Payable	\$ 1,500,000
<b>Total Current and Accrued Assets</b>	<b><u>\$ 1,000,000</u></b>	<b>Total Current and Accrued Liabilities</b>	<b><u>\$ 1,500,000</u></b>
Non-Current Assets:		Non-Current Liabilities	
Land	\$ 50,000	Revenue Bonds of 201X	<u>\$ 28,500,000</u>
Buildings	3,000,000	<b>Total Non-Current Liabilities</b>	<b><u>\$ 28,500,000</u></b>
Machinery & Equipment	2,000,000		
Infrastructure	30,000,000	Fund Balance:	
Construction in Progress	-	Unassigned	\$ 3,000,000
Accumulated Depreciation - Buildings	(900,000)	Assigned to Prior Year Appropriation	<u>\$ 650,000</u>
Accumulated Depreciation - Mach. & Equip.	(500,000)	<b>Total Fund Balance</b>	<b><u>\$ 3,650,000</u></b>
Accumulated Depreciation - Infrastructure	<u>(1,000,000)</u>		
<b>Total Non-Current Assets</b>	<b><u>\$ 32,650,000</u></b>		
<b>TOTAL ASSETS</b>	<b><u>\$ 33,650,000</u></b>	<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 33,650,000</u></b>

**BALANCED!**



Real Experience. Real Solutions.

# KEEP THE FOLLOWING IN MIND...

## IMPROVEMENTS VERSUS REPAIRS

- **IMPROVEMENT – ADDS VALUE TO EXISTING ASSET**

ADDS

- CAPACITY
- SERVICEABILITY
- USEFUL LIFE

- **REPAIR – RETURNS ASSET TO ORIGINAL CONDITION**

- IMPROVEMENTS SHOULD BE **CAPITALIZED** AND REPAIRS **EXPENSED**



# CAPITAL OUTLAYS VS CAPITAL ASSETS

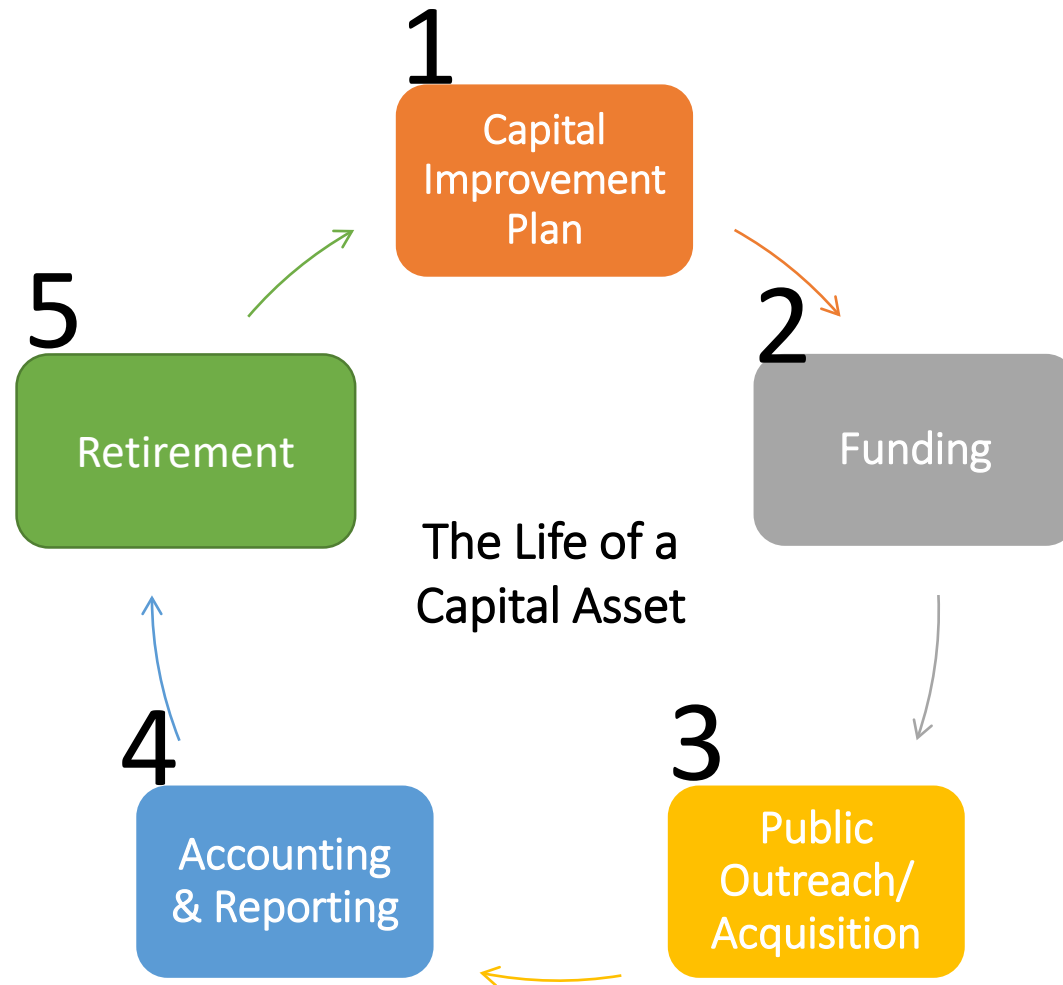
- **PRACTICAL EXAMPLE: ROAD “PAVING”**
  - **OFTEN “MAINTENANCE (REPAIR)” IN NATURE**
    - **MIGHT BE REPORTED AS CAPITAL OUTLAY**
      - **REALISTICALLY WOULD NOT BE CAPITALIZED**
- **REMEMBER**
  - **REPAIRS ARE EXPENSED**
- **IN MOST CASES**
  - **NEW ROAD/IMPROVEMENT = CAPITALIZED**
  - **REPAIR OF EXISTING ROAD = EXPENSE**



# SBOA CAPITAL ASSETS REPORTING REQUIREMENTS

## ANNUAL REPORTING VIA GATEWAY

- **UNIT INFORMATION**
  - IDENTIFYING INFO (OFFICIALS, DEPTS, ETC.)
- **CORE REPORTING (DATA)**
  - CAPITAL ASSETS
  - FINANCIAL DATA BY FUND
  - DEBT
- **FISCAL OFFICER SIGNS-OFF ON INTERNAL CONTROL POLICY EACH YEAR!**





# WHAT IF WE NEED TO GET AN ASSET OFF THE BOOKS?

## ASSET RETIREMENT

- **TYPICAL REASONS?**

- **NO LONGER OPERATIONAL**
- **REPLACED WITH NEW ASSET**
- **ASSET FULLY DEPRECIATED**
  - **COST BENEFIT – REPAIRS VS. NEW**



- **HOW?**

- **RECORD DEPRECIATION EXPENSE AS OF SALE/RETIREMENT**
- **REMOVE COST AND ACCUMULATED DEPRECIATION**
- **REPORT GAIN/(LOSS) FROM SALE**

# GOODBYE FIRE TRUCK...

## TO REMOVE THE TRUCK FROM SERVICE:

	<u>Debit</u>	<u>Credit</u>
ACCUMULATED DEPRECIATION	\$1,000,000	
EQUIPMENT – LADDER TRUCK		\$1,000,000



# ABOUT THOSE INTERNAL CONTROLS...

## PER IC 5-11-1-27

- POLITICAL SUBDIVISIONS **MUST** MAINTAIN AN INTERNAL CONTROL SYSTEM
  - PROMOTES ACCOUNTABILITY & TRANSPARENCY
  - **REMEMBER, YOU SIGN OFF ON THIS EVERY YEAR!**

## SBOA GUIDELINES

- *UNIFORM INTERNAL CONTROL STANDARDS FOR INDIANA POLITICAL SUBDIVISIONS*
  - **UNIT SPECIFIC ADOPTION/MAINTENANCE**

# INTERNAL CONTROLS, AUDITS, & ASSETS

## MINIMUM INTERNAL CONTROL CONSIDERATIONS:

- BIDDING REQUIREMENTS - BEGINNING WITH:
  - **IC 36-1-12-4**
- DOLLAR THRESHOLD FOR CAPITALIZATION
  - UNIT SPECIFIC, SBOA MINIMUM
  - **REMEMBER, REPAIRS ARE EXPENSES, NOT CAPITAL!**
- DEPRECIATION SCHEDULE FOR FIXED ASSETS
- ANNUAL CAPITAL ASSET LISTING UPDATE



# BEST PRACTICES AND WHY?

## POLICIES THAT HELP

- **OVERALL CAPITAL ASSET MANAGEMENT**
  - **MAINTAIN PROPER ASSET INVENTORY**
  - **REGULARLY SCHEDULED ASSESSMENT**
- **FINANCIAL REPORTING AND MONITORING**
  - **FINANCIAL MARGINS (DEBT SERVICE COVERAGE)**
  - **ENFORCE COLLECTION POLICIES (LATE/NON-PAYERS)**
- **DEBT POLICIES**
  - **TOLERANCE (LIMITS) AND TAX IMPACTS**
    - **DON'T FORGET ABOUT OVERLAPPING UNITS!**
    - **CIRCUIT BREAKER IMPACTS**

# QUESTIONS, COMMENTS OR CONCERNS?

- **THANK YOU FOR YOUR TIME!**
- **NOW IT IS TIME FOR A Q&A!**
- **ASK AWAY!**



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