

CITY OF SHELBYVILLE

ORDINANCE NO. 24-01

AN ORDINANCE ADOPTING A CAPITAL ASSET POLICY  
FOR THE CITY OF SHELBYVILLE, ILLINOIS AND AMENDING TITLE 1-9-2  
OF THE CITY CODE

ADOPTED BY THE CITY COUNCIL  
OF THE CITY OF SHELBYVILLE

Published in pamphlet form by authority of the City Council of the City of Shelbyville, Shelby County, Illinois, this 20<sup>th</sup> day of January, 2025.

CITY OF SHELBYVILLE  
SHELBY COUNTY, ILLINOIS

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ORDINANCE 25-01

AN ORDINANCE ADOPTING A CAPITAL ASSET POLICY  
FOR THE CITY OF SHELBYVILLE, ILLINOIS AND AMENDING TITLE 1-9-2  
OF THE CITY CODE

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PASSED BY THE CITY COUNCIL  
ON THE 20<sup>th</sup> DAY OF JANUARY 2025

CITY OF SHELBYVILLE  
SHELBY COUNTY, ILLINOIS

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PASSED BY THE CITY COUNCIL  
ON THE 20<sup>th</sup> DAY OF JANUARY 2025

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PUBLISHED IN PAMPHLET FORM BY AUTHORITY OF THE CITY COUNCIL OF THE  
CITY OF SHELBYVILLE, SHELBY COUNTY, ILLINOIS  
THE 21<sup>st</sup> DAY OF JANUARY 2025.

**ORDINANCE NO. 2025-01**

**AN ORDINANCE ADOPTING A CAPITAL ASSET POLICY  
FOR THE CITY OF SHELBYVILLE, ILLINOIS AND AMENDING TITLE 1-9-2  
OF THE CITY CODE**

WHEREAS, the City of Shelbyville (“City”) determined it is in the best interest of the public to adopt a Capital Asset Policy (“Policy”) governing treatment of capital assets owned by the City; and,

WHEREAS, the City Treasurer has proposed a Policy for the City attached to this Ordinance as Exhibit A, and incorporated herein; and,

WHEREAS, the City wishes to adopt the Policy proposed by the City Treasurer; and

WHEREAS, the City has enacted Code of Ordinances (“Code”); and,

WHEREAS, Title 1-9-2 of the Code sets forth the duties of the City Treasurer; and,

WHEREAS, The City wishes to amend Title 1-9-2 of the Code to reflect the adoption of the Policy.

NOW THEREFORE, be it ordained by the Mayor and Commissioners for the City of Shelbyville, Illinois, as follows:

1. The above recitals are incorporated herein and made a part hereof.
2. The Capital Asset Policy attached to this Ordinance is hereby approved.
3. Title 1-9-2 of the City Code of the City of Shelbyville, shall and hereby is amended to add a new “Capital Asset Policy” and which new section shall read as follows:

**The City shall have in place a Capital Asset Policy setting forth rules governing the treatment of capital assets owned by the City. The Capital Asset Policy shall be amended from time to time as is necessary. The Capital Asset Policy shall be available in the office of the City Treasurer.**

4. All other provisions of Title 1-9-2 of the City Code shall remain in effect unchanged and unamended by this Ordinance.

5. This Ordinance shall be in full force and effect ten (10) days after its approval, passage and publication in pamphlet form as required by law.

PASSED BY THE CITY COUNCIL OF THE CITY OF SHELBYVILLE, ILLINOIS, AT A REGULAR MEETING THIS 20<sup>th</sup> Day of January 2025.

Commissioners:

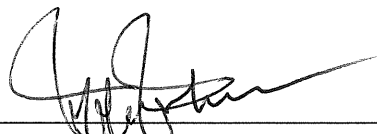
Blackwell:	<u>absent</u>
Gray:	<u>yea</u>
Shull:	<u>absent</u>
Shanks:	<u>yea</u>

Mayor:

Johnson	<u>yea</u>
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\_\_\_\_\_  
Rachel Wallace, City Clerk

APPROVED BY THE MAYOR THIS 20<sup>th</sup> day of January 2025.

  
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Jeff Johnson, Mayor

## **EXHIBIT A—CAPITAL ASSET POLICY**

### **City of Shelbyville**

### **Capital Asset Policy**

#### **Purpose**

The City of Shelbyville invests a significant amount in capital assets. These assets play an essential role in the City's ability to diversify, expand and cope with growth and improve environmental conditions. That level of service can only be assured if adequate consideration is given to maintaining and expanding public facilities and infrastructure. If a government fails to maintain its capital assets, equipment, facilities and infrastructure, it will deteriorate more quickly and necessitate costly emergency allocations of financial resources.

The objective of this policy is to establish and maintain capital asset records to comply with governmental financial reporting standards, to ensure adequate control and appropriate use of capital assets and to provide accountability for property control.

#### **Definition**

Capital assets are real or personal property used in operations that have a value equal to or greater than the capitalization threshold for their respective asset class and have an estimated initial useful life of greater than one year. Capital assets shall include land, land improvements, buildings, building improvements, machinery and equipment, vehicles and infrastructure. A capital asset is to be reported and depreciated, if applicable, in the government-wide and enterprise fund financial statements. Assets not capitalized are expended in the year of acquisition.

For further clarification, infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and are normally stationary in nature. Infrastructure shall include roads, sidewalks, bike paths, bridges, drainage systems, water systems, sewer systems and other like assets subject to the capitalization threshold for their respective asset class.

#### **Valuation**

Capital assets should be reported at historical cost (original cost when acquired). All costs associated with the purchase or construction of a capital asset should be considered,

including ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges may include freight and transportation, site preparation, installation, professional fees, temporary and permanent easements, engineering, construction management and legal costs directly attributable to asset acquisition. Costs for training, maintenance agreements and extended warranties, which can be separately identified from the cost of the capital asset, should not be capitalized.

In the absence of historical cost information, the asset's estimated historical cost may be used to value the capital asset. Donated capital assets should be reported at their estimated fair value at the time of acceptance plus ancillary charges, if any. Developer contributions should be reported at their estimated fair value at the time of acceptance by the City.

The costs associated with general maintenance and repair that do not add value to the capital asset or materially extend the capital asset's useful life are expended in the period incurred rather than being capitalized. Significant costs, subject to the capitalization threshold for their respective asset class, which increase capacity (i.e. additional lanes on a road) or materially extend the useful life of an asset are capitalized and depreciated over the remaining useful life of the asset.

### **Asset Class**

The City reports the following asset classes:

- Land
- Land improvements
- Buildings
- Building improvements
- Machinery and equipment
- Infrastructure

### **Land**

Land is defined as the surface of the earth, which can be used to support structures and roadways. All land is to be included in this classification regardless of its value for both tracking and reporting purposes. Expenditures for land improvements that do not require maintenance or replacement, bring land into condition to commence erection of structures, not identified with structures, or that do not deteriorate with use or passage of time are additions to the cost of land and are generally not exhaustible. Land is characterized as having an unlimited life (inexhaustible) and is not depreciated. Examples of items to be capitalized as land are as follows:

- Purchase price or fair value at time of donation

- Professional fees (i.e. title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
- Land excavation, fill, grading and drainage
- Demolition of existing building and improvements
- Removal, relocation or reconstruction of property of others (i.e. railroad, telephone and power lines, etc.)
- Recording costs

Easements are interests in land owned by another that entitles its holder to the right to use the land for a specific or limited purpose. An easement does not give the holder a right of “possession” of the property, only a right of use. A right-of-way is a type of easement in which fee simple title is obtained, defined as an absolute estate in perpetuity and one in which the owner is entitled to the entire property, with unconditional power of disposition. Therefore, easements or right-of-way acquired or donated is considered land and should be capitalized as such. However, an easement for temporary access will not be capitalized.

### **Land Improvements**

Land improvements consist of permanent improvements, other than building, which add value to the land, require maintenance or replacement, are typically identified with structures, deteriorate with use or passage of time and are generally exhaustible. Examples of items to be capitalized as land improvements are as follows:

- Parking lots
- Landscaping
- Fencing
- Monuments (i.e. gateway signs)

### **Buildings**

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. It is generally used to house persons, property and fixtures attached to and forming a permanent part of such a structure. Examples of items to be capitalized as building are as follows:

- Purchase prices or fair value at time of donation
- Expenditures for remodeling, reconditioning or altering a building to make it ready for use for the purpose for which it is intended
- Environmental compliance (i.e. asbestos abatement)
- Professional fees (i.e. architect, legal, engineering, inspections, etc.)



- Cost of permits and licenses
- Completed project costs associated with the original construction of a building
- Additions to building (i.e. expansion, extension or enlargement)

### **Building Improvements**

Improvements to existing building, as part of a major rehabilitation project, which materially extend the useful life of a building, increase the value of a building or both should be capitalized. Examples of items to be capitalized as building improvements are as follows:

- Installation or upgrade of heating and cooling systems
- Installation or upgrade of wall or ceiling coverings (i.e. carpet, tile, etc.)
- Installation or replacement of structural components (i.e. beams, rafter, joists, interior framing, etc.)
- Installation or upgrade of windows, doors or cabinets
- Installation or upgrade of plumbing or electrical wiring
- Installation or upgrade of phone or closed-circuit television systems, networks, fiber optic cable or wiring required for equipment (that will remain in the building)
- Installation or replacement of exterior components (i.e. siding, roofing, masonry, etc.)

Maintenance costs are incurred to keep assets in normal operating condition and to help maintain the original use of the building and are not capitalized.

### **Machinery and Equipment**

Machinery is defined as any mechanical or electrical device that transmits or modifies energy to perform or assist in the performance of human tasks. Equipment is defined as a movable or fixed unit of furniture or furnishings, instrument, machine or apparatus to be used for operations, the benefits of which extend beyond one year from date of acquisition. Examples of items to be capitalized as machinery and equipment include but are not limited to:

- Computers
- Communications equipment
- Office equipment
- Kitchen equipment
- Light machinery (Public Works)
- Phone system

- Tractors
- Loaders, backhoes and excavators
- Trailers, chippers and grinders
- Generators
- Office furniture
- Vehicles (i.e. cars, trucks, etc.)

## **Infrastructure**

Infrastructure assets are long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. They are the basic physical structures needed for the functioning of a community or society, such as transportation and communications systems and water and power lines. Expenditures to be capitalized as infrastructure include, but are not limited to:

- Roads
- Bridges
- Sanitary sewer lift stations
- Interceptors
- Sanitary sewer mains
- Water mains
- Wells and water pump stations
- Water treatment plant, piping and equipment
- Water storage tanks
- Stormwater drainage improvements

Maintenance costs allow a government to continue to use an infrastructure asset during its originally established useful life and are not capitalized. Preservation costs extend the useful life of an asset beyond its original estimated useful life and should not be capitalized, subject to the capitalization threshold. Additions and improvements are costs that increase the capacity of the asset (i.e. additional lanes on a road) and should be capitalized, subject to the capitalization threshold. Individual components of infrastructure that do not meet the capitalization threshold, such as streetlights, sidewalks, signal improvement, paths and trails are not to be capitalized.

## **Construction in Progress**

Construction in progress reflects the activity of capital assets which are substantially incomplete, such as buildings and roads. Each project must first be evaluated to determine whether it meets the capitalization threshold for the applicable asset class. Expenditures

will then be added to the value of the capital asset as incurred. Projects should be reclassified to the appropriate asset class upon substantial completion.

### **Capitalization Threshold and Useful Life**

The capitalization threshold is the dollar value the City uses to determine whether a given asset should be capitalized and reported on the balance sheet as a capital asset. The responsibility for protecting and controlling the use of the capital assets rests with the department wherein the asset is located. The Finance Department shall ensure that control over capital assets is maintained by establishing a capital asset inventory that is updated annually and documents all additions and deletions to the capital asset records. Capital assets will be recorded and depreciated using the City's financial software and will include a description (including serial and model number, if applicable), asset class, department name, location, date acquired, cost and useful life. Assets that do not meet the capitalization threshold for their respective asset class on a per unit basis shall be expended in the period incurred rather than being capitalized (see Property Control).

The useful life of a capital asset is the estimate of the period over which the City expects said asset to be useful (normally the shortest of its physical, technological or legal life). The actual life of a capital asset may extend beyond its useful life.

The attached table is not all-inclusive and is meant to serve as a guide to identify the asset class, capitalization threshold and useful life of each capital asset the City owns:

### **Depreciation**

Depreciation is the measure of the decrease in the value of a capital asset over a specific period of time. Capital assets shall be depreciated over their estimated useful lives using the straight-line method beginning in the month it was acquired unless they are:

- Inexhaustible (i.e. land)
- Construction in progress

### **Disposition**

When a capital asset is disposed of, its cost and accumulated depreciation shall be removed from the City's capital asset records and a gain or loss be recognized, if applicable.

Disposition of an asset may be due to destruction, obsolescence, retirement, sale, trade, scrap or donation. In addition, the City shall approve an ordinance to sell, trade, convert or dispose of said property when it is determined by the City that personal property is no longer necessary or useful to or for the best interest of the City pursuant to 65 ILCS 5/11-76-4 of the Illinois Municipal Code.

### **Transfers**

Capital assets transferred from one department to another should be reported by the department who is initiating the transfer. The asset shall be reported at its current book value as of the date of said transfer.

### **Property Control**

Assets below the capitalization threshold but warranting control or considered sensitive may include, but are not limited to, radios, personal computers, laptop computers, printers and small power tools. Stewardship of these minor but sensitive items is the express responsibility of the department utilizing these assets. The responsible department shall maintain control and keep an inventory list of these assets. The inventory shall include a description, location and other information that assists in control or is deemed relevant.

**TABLE**  
**CAPITAL ASSETS AND USEFUL LIFE**

<b>Asset Category</b>	<b>Capitalization Threshold</b>	<b>Expected Useful Life</b>
Land- Right of way	\$10,000	N/A
Land- Storm Water Retention/Detention	\$10,000	N/A
Land- General	\$10,000	N/A
Buildings	\$50,000	50 Years
Streets / Curb /Gutter	\$50,000	20 Years
Bridges	\$50,000	50 Years
Storm Sewers	\$50,000	50 Years
Sidewalks / Bike Paths	\$50,000	15 Years
Traffic Signals	\$50,000	25 Years
All Other Infrastructure and Improvements Other Than Buildings	\$50,000	20 Years
Machinery and Equipment	\$20,000	10 Years
Computer Software	\$10,000	3 Years
Water Mains	\$50,000	50 Years
Swimming Pool	\$50,000	25 Years
Police Department Vehicles	\$35,000	4 Years
Computer Equipment and Hardware	\$5,000	5 Years
Vehicles	\$10,000	10 Years

STATE OF ILLINOIS)

)ss.

COUNTY OF SHELBY)

**CERTIFICATE**

I, RACHEL WALLACE, certify that I am the duly appointed and acting municipal clerk of the City of Shelbyville, Shelby County, Illinois.

I further certify that on January 20, 2025, the Corporate Authorities of such municipality passed, and approved Ordinance No. 25-01 entitled:

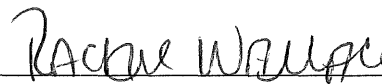
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which provided by its terms that it should be published in pamphlet form.

The pamphlet form of Ordinance No.25.01, including the Ordinance and a cover sheet thereof, was prepared, and a copy of such Ordinance was posted in the municipal building, commencing on January 21, 2025 and continuing for at least 10 days thereafter. Copies of such Ordinance were also available for public inspection upon request in the office of the municipal clerk.

DATED at Shelbyville, Illinois, this 21<sup>st</sup> day of January, 2025.

(SEAL)



RACHEL WALLACE CITY CLERK