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| Policy: Capitalization Policy | Effective Date: 06/06/2006 |
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| Responsible Party: Town Manager, Finance Officer | Revision Page Number: |



ADMINISTRATION DEPARTMENT CAPITALIZATION POLICY

Adopted as Administrative Policy for all Town Employees
Effective June 6, 2006

POLICY: CAPITALIZATION POLICY

EFFECTIVE DATE: June 6, 2006

RESOLUTION NO:

The Town Council of the Town of Summerfield, recognizing that it is the responsibility of the Town of Summerfield to practice responsible fiscal management, approves the Capitalization Policy for the purpose of determining, distinguishing, and recording capitalized and expendable furniture and equipment purchased or acquired in connection with the operations of the Town of Summerfield.

The Procurement Policy, the Capitalization Procedures, and the applicable federal and state requirements govern the management of capitalized furniture and equipment and non-expendable furniture and equipment. Only those costs actually relating to the purchase of new assets or the construction or improvement of an asset should be capitalized. The Town of Summerfield follows the guidelines of the Governmental Accounting Standards Board in determining the capitalization of assets.

GUIDELINES:

1. The Town of Summerfield's capital asset threshold is defined as having a cost of \$1,000 and a useful life of more than one year. If the furniture or equipment meets the definition of "capitalized equipment and property," the same shall be capitalized and recorded as capitalized furniture or equipment and charged as a capital expenditure.
2. Any piece of furniture and/or equipment considered to be "expendable equipment" or "consumable materials and supplies" should be treated and recorded as an expense.

AUTHORITY AND CONTROL:

1. The Finance Officer is authorized to determine whether each piece of furniture or equipment acquired by the Town of Summerfield should be classified as a fixed asset.
2. The Finance Officer shall account for all fixed assets in the official books and records of the Town. Fixed assets shall be depreciated as required under Generally Accepted Accounting Principles (GAAP). The Finance Officer is authorized to determine the depreciation method and useful life that should be used in accounting for fixed assets. Land shall not be depreciated.

