

# Town of Bradley



## CAPITALIZATION POLICY

Statutory Reference/ Authority: Generally Accepted Accounting Principles (GAAP-GASB #34)

Purpose: To set a policy on capitalization, recording, and inventory of Capital Assets.

A Capitalization Policy provides a consistent way to assign value to each asset. It includes a reasonable threshold dollar value that an item must cost to be considered a fixed asset. The threshold value dollar amount for the Town of Bradley is \$1,000.

Policy Statement: Effective July 1, 2003, all new capital assets valued within the existing policy limits must be capitalized, reported, and recorded in the Town's Capital Management System. A Fixed/Capital Asset Management System ensures accountability for assets purchased with local and other resources and it provides an accurate value of the assets for both internal reports as well as the annual report. Capital assets are property owned by the town and include; Computers, computer equipment, buildings, land, and infrastructure such as, roads and bridges.

General Capital Assets should be capitalized and recorded When all of the following criteria are met.

- 1.) The asset is tangible and complete.
- 2.) The asset is used in the operation of the Town's activities.
- 3.) The asset has a value of \$1,000 or greater and useful life of a year or more.

Future asset acquisition will be valued at the acquisition cost for purchased items and donated items will be capitalized at fair

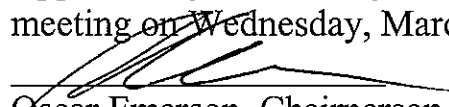
market value on the donated date. The Straight-Line Depreciation method will be used.

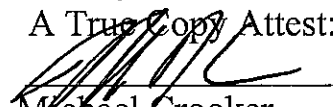
The Town of Bradley will maintain an inventory of all assets with a value of \$1,000 or greater and a useful life of a year or more acquired after June 1, 2003. Each record inventory shall include an unique inventory or tracking number, a description including manufacturer or vendor information and a model and serial number, date of acquisition, method of acquisition (purchase, donation, etc.), funding source, cost or estimated cost, salvage value or fair market value, condition and estimated useful life as well as expected replacement year and proposed method of disposition. The inventory record will also need to identify the function(s) that use the asset.

Inventories of Capital Assets must be completed by June 15<sup>th</sup> of every year. Department heads will be required to sign and approve all of their department's inventory adjustments. Documentation will be kept on file by the Town's Treasurer. The Town's Treasurer will be responsible for entering information on new assets, adjustments, and other relevant information as indicated in this policy. The Town's Treasurer will also make sure that all supporting documentation is available.

The Town's Treasurer will maintain the Capital Asset Management System in conjunction with the Town's Auditors. The Town's Treasurer will be responsible for entering Town information into the accounting system. Balances will be reconciled at the end of the year as part of the annual audit process. The Town's Treasurer will be responsible for entering any adjustments to the system as part of the annual audit process subject to the prior approval or authorization of the Town's Auditor.

Approved by the Bradley Town Council at a duly called meeting on Wednesday, March 10, 2004. A True Copy Attest:

  
Oscar Emerson, Chairperson  
Bradley Town Council

  
Michael Crooker  
Bradley Town Clerk