

**POLICY 2021-007
VILLAGE OF ONTONAGON
CAPITALIZATION POLICY**

Approved: June 14, 2021

Last Modified: June 3, 2021

Purpose

To establish the Village of Ontonagon’s (“Village”) capitalization policy for property acquired.

Intent

To ensure the Village appropriately records all property assets acquired. Adherence to this policy is essential to ensure the Village meets its objectives for timely and reliable financial reporting.

Scope

This policy applies to all Departments. This policy applies to all real, personal and intangible property acquired through purchase, construction, exchange or donation.

Responsibilities

The Clerk/Treasurer along with the Village Manager shall implement and periodically update this policy. Village management in all departments shall monitor their operations to ensure adherence to this policy.

Policy

Real, personal, and intangible property acquired by the Village shall be capitalized and recorded as capital assets if all the following conditions are met:

1. The value of the property acquired is equal to or greater than the Village’s capitalization threshold as defined in the table below.
2. The asset has an estimated useful life greater than one (1) year.
3. The asset is not a stock item or an item slated for sale.

Capitalization Thresholds	
Asset Category	Threshold
Land, land improvements, land rights and easements	Record All
Buildings and building improvements	\$5,000
Structures and structure improvements	\$5,000
Infrastructure	\$50,000
Personal property including machinery and equipment and software development and licenses	\$5,000
Vehicles	\$5,000
Intangible Assets	\$5,000
Leasehold Improvements	\$5,000

4. All capital asset transactions processed through Accounts Payable must be reviewed on an ongoing-basis and either deleted or recorded into the Village's BS&A System.
5. Capital assets related to grants shall be segregated and tracked separately in the BS&A System. Assets purchased with grant funds will be identified with the grant fund associated with the department to which the capital asset belongs.
6. Property acquired that does not meet the Village's capitalization criteria shall be expensed in the accounting period acquired.
7. All supporting documentation will be kept on file for future auditing purposes.

Definitions

Capital Assets: Real, personal, and intangible property having a useful life of greater than one year and meeting other Village designated criteria.

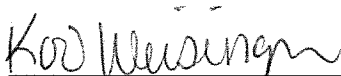
Capitalization: The process of recording property as a capital asset in the Village's BS&A System and expensing its cost over time through depreciation or amortization expense (rather than expensing the property cost immediately when acquired).

Intangible Property: Any property that is non-physical such as computer software, land rights, easements, licenses and permits.

BS&A System: The Village's financial system for recording and accounting for all capital assets.

Personal Property: Generally, any property that is movable, as opposed to real property. Personal property examples include machinery and equipment.

Real Property: Any property that is attached directly to land, as well as land itself. Real property includes land and improvements, building and improvements, structures other than buildings and improvements, infrastructure, and leasehold improvements.



Kori Weisinger, Clerk/Treasurer