

Capitalization Policy

Purpose

This accounting policy is hereby established for bookkeeping purposes regarding capitalization expenses for the year January 1, 2015 and thereafter.

Material and Supplies

The Morgan County Library Trustees establishes a \$300.00 or less per item standard threshold amount as the minimum capitalization for material and supply purchases. Any amount costing below this amount should be expenses on the books and records. However, the collections purchases will be expensed regardless of the amount.

Capital Asset Definition

A "Capital Asset" is defined as a unit of property that:

- a) Has an economic useful life that extends beyond 12 months; **and**
- b) Was acquired or produced for a cost of \$2500.00 (including taxes, freight, installation costs) or more per item or invoice. Capital Assets must be capitalized and depreciated for financial and tax purposes.

Capitalization Thresholds

The Morgan County Library Trustees establishes \$2500.00 (including taxes, freight, installation costs) as the threshold amount for minimum capitalization in accordance with Internal Revenue Code Section 167 and 168 and related Regulations. Amounts exceeding this dollar limit will be examined individually to determine if their use of purpose requires capitalization under the betterment, adaptation or restoration rules used by the Internal Revenue Service and will be capitalized or expensed as incurred as a result of the application of those rules.

Capitalization Methods and Procedure

All capital assets will be recorded at historical cost as of the date acquired.

Tangible assets costing below the aforementioned threshold amounts are recorded as an expense for bookkeeping purposes. Additionally, all assets regardless of costs with an economic life of 12 months or less are required to be expensed for bookkeeping purposes.

Recordkeeping

All invoices substantiating an acquisition cost of each unit of property shall be retained for a minimum of 4 years.

Approved by Library Board of Trustees on November 1, 2016.