

Broome County Industrial Development Agency

Capitalization Policy

1. Purpose

This accounting policy establishes the minimum cost (capitalization amount) that shall be used to determine the capital assets that are to be recorded in the Broome County Industrial Development Agency's annual financial statements.

2. Capital Asset definition

A "Capital Asset" is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months; and (2) was acquired or produced for a cost of \$5,000 or more. Capital Assets must be capitalized and depreciated for financial statement purposes.

3. Capitalization thresholds

The Agency establishes \$5,000 as the threshold amount for minimum capitalization. Any items costing below this amount should be expensed in the Agency's financial statements.

4. Capitalization method and procedure

All Capital Assets are recorded at historical cost as of the date acquired.

Tangible assets costing below the aforementioned threshold amount are recorded as an expense for the Agency's annual financial statements. Alternatively, assets with an economic useful life of 12 months or less are required to be expensed for financial statement purposes, regardless of the acquisition or production cost.

The Agency will not regard the purchase of software programs as fixed assets subject to the above capitalization policy. Additionally, costs associated with software maintenance and customer support will be considered expenditures and not capitalized.

5. Other Considerations

Repair is an expenditure that keeps the property in ordinary efficient operating condition. The cost of the repair does not add to the value or prolong the life of the asset. All repair expenditures are charged to the appropriate expense.

Improvements are expenditures for additions, alterations and renovations that appreciably prolong the life of the asset, materially increase its value or adapt it to a different use. Improvements of this nature are capitalized.

6. Recordkeeping

Invoice substantiating an acquisition cost of each unit of property shall be retained for a minimum of four years.