



## LUMBERJACK RESOURCE CONSERVATION & DEVELOPMENT COUNCIL, INC.

### CAPITALIZATION/DEPRECIATION POLICY

**Definition of Fixed Asset:** Any tangible asset purchased for the day-to-day operations of Lumberjack RC&D Council from which an economic benefit will be derived over a period greater than one year. Fixed assets include items of property and equipment such as computers, vehicles, office furniture, fixtures, and other related technology equipment.

#### **POLICY:**

A current record of all assets will be kept at the Administrative Office. This record will include a description of the item along with an audit number, the original purchase price and the purchase date. At the time a fixed asset is acquired, its cost is capitalized unless it has a value of ~~\$2,000~~ \$5,000 or less in which case the asset is expensed in the period acquired. Assets greater than ~~\$2,000~~ \$5,000 and less than \$10,000 will be capitalized for three years. Assets greater than \$10,000 and less than \$50,000 will be capitalized for seven years. Assets over \$50,000 will be capitalized according to the most commonly used accounting practice.

An accounting of depreciation will be recognized monthly. Each year the list of capital will be reviewed by an independent auditor and depreciated items will be reconciled.

A record of disposals will be kept including audit #, the original price, the disposal date, the disposal means and any costs or sales involved.

The policy is subject to change by a majority vote of the Lumberjack RC&D Council, Inc at a regularly scheduled meeting.

Adopted July 26, 2018

Amended 4/27/2023

Amended 4/24/2025

Note from Executive Director regarding this proposal to increase the capitalization threshold:

This recommendation does not appear in the audit report the Council is receiving today because it was a discussion the Executive Director had with the auditor. The auditor explained that while it is not necessary to change our policy at this time, there are benefits to increasing this threshold. 1) Less paperwork when we make purchases because we won't have to figure the depreciation. 2) Less admin work because we wouldn't have to realize depreciation every month. 3) Less audit time with fewer depreciable items.

Industry standards use several methods to determine the capitalization threshold which are usually based on the amount of federal tax owed. Since we do not pay tax, there is no benefit to keeping it low and we base our recommendation on the following...

- For our purposes it would make sense to use the percentage method. Typically, businesses use .5% to 1% of the balance sheet to determine the threshold.
- Our most recent balance sheet (from 2023 audit) is \$1,065,047
- .5% of this amount is \$5,325.
- To make things easy, we are proposing a \$5,000 threshold.