

MEDFORD HOUSING AUTHORITY CAPITALIZATION POLICY FOR FIXED ASSETS

The following policy is required for complying with Generally Accepted Accounting Principles and the recommendations from HUD and DHCD.

A Fixed Asset shall be capitalized and depreciated over its useful life when it meets all of the following criteria:

1. The original cost of the item is equal to or exceeds \$5,000.00.
2. It shall have relatively long service life—usually more than one year.
3. It shall have repeated use, rather than one-time use, and there shall be no need for frequent replacement.
4. It shall have sufficient value to justify maintaining continued monetary property records.

The Medford Housing Authority will create a depreciation schedule for all fixed assets and update this schedule on a continual basis as fixed assets are disposed of or added. The useful lives for which fixed assets will be depreciated on a straight-line basis shall be:

COMPUTER RELATED EQUIPMENT/SERVERS

- If item (including shipping) is \$5,000 or higher, use HUD A/C 7520.000, and depreciate over 5 years.
- If items (e.g. servers) are two items, each under \$5,000 but total over \$5,000 for both use HUD A/C 4611.000.

EQUIPMENT (Items such as vehicles, grounds equipment etc.) NOT ATTACHED TO BUILDING

- If equipment (including shipping) is over \$5,000 or higher, use HUD A/C 7520.000, and depreciate over 5 years.
- If large equipment repairs, use HUD A/C 4610.000, huge breakdown (not routine maintenance).
- Equipment attachments – if under \$2,500 use HUD A/C 4611.000, if over \$2,500 use HUD A/C 7520.000 - attachments are considered stand-alone assets (blades that may go on other tractors) when purchased individually.

BUILDING RELATED EQUIPMENT – replace Co-gens, furnace, etc. ATTACHED TO BUILDING

- New furnace, co-gens, boilers etc. considered building betterments. ONLY CAPITALIZE IF OVER \$25,000 use HUD A/C 7540.000 and depreciate over 10 years.
- If Modernization project, it will always be capitalized (not subject to \$25K threshold) and depreciate over 10 to 20 years.
- If equipment purchases between \$2,500-\$25,000, use HUD A/C 4610.000.
- Large maintenance expenses/repairs code to 4610.000 – emergency/not scheduled (over \$5,000 (or 2,500)-confirm with the Director of Finance.

SECURITY CAMERA PROJECTS

- These all get coded to 4610.000 to track total cost of these large projects.
- For capitalization purposes, only the server gets depreciated if over \$5,000.

REMODEL PROJECTS – such as training room, computer lab, typically tracked by Dept. number

- Code to HUD A/C 4610.000 for materials only.
- Code to HUD A/C 4610.000 for materials plus labor.

Note:

- Do not allocate any 4610, 4611 or 7520/7540 across multiple developments. Track in one program.
- Capital assets are depreciated using the straight-line method over the useful lives.
- Asset recognized as of date RECEIVED.

CAPITALIZATION POLICY OBJECTIVE

To establish the following information relative to non-expendable equipment:

1. Comparative data for financial planning purposes relative to replacement of existing equipment or the purchase of new equipment.
2. Develop a source of information for insurance coverage and claims.
3. To establish a valid basis for the comparison of physical inventories with the record.
4. To establish an effective basis for custodial accountability.

CRITERIA FOR CAPITALIZATION The following factors and standards relating to the nature of the expenditure and the characteristics of the property unit shall be considered in establishing the criteria for capitalization:

1. Retention of identity.
2. Relatively long service (more than one year).
3. Repeated use.
4. Sufficient value to justify maintaining continuing monetary property records (purchase price greater than \$5,000).

INVENTORY OF EQUIPMENT The Medford Housing Authority shall take an inventory of all items of non-expendable equipment as of September 30th of each year and compare the physical inventory with the inventory records.