



FRAMINGHAM HOUSING AUTHORITY

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CAPITALIZATION POLICY FOR FIXED ASSETS

The following policy is required for complying with Generally Accepted Accounting Principles and regulations of the Department of Housing and Community Development.

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
- 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 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 and added. The useful lives for which fixed assets will be depreciated on a straight-line basis shall be:

Building	40 years
Land improvements	20 years
Building improvements	15 years
Maintenance equipment	5-7 years
Office Equipment	5-7 years
Computer equipment	3 years
Software	3 years
Automotive equipment	5 years

Memo

To: Tom Dumas

From: Jenna Milne

In the new accounting handbook the Housing Authority is only required to capitalize items over \$5,000 and record them on the General Ledger. These items are listed in the depreciation schedules.

All other items under \$5,000 are to be kept as a list of the Housing Authority but not be reported on the general ledger.

FRAMINGHAM HOUSING AUTHORITY

CAPITALIZATION POLICY

I. 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.

II. 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 \$500).
5. The following items shall be Capitalized regardless of cost:

A. Motor Vehicles	D. Snow Blowers	G. Computers
B. Ranges and Refrigerators	E. Office Furniture	
C. Power Mowers	F. Typewriters	

III. INVENTORY OF EQUIPMENT

The Housing Authority shall take a physical inventory of all items of non-expendable equipment as of December 31st of each year and compare the physical inventory with the inventory records.

1. If there is a difference between the amounts shown by records and the amounts obtained through the physical count that is a result of a recordkeeping error, the appropriate adjustment will be authorized by the Executive Director. However, if the difference is a result of either theft, destruction or obsolescence proceed in accordance with Item 2 below.
2. In the event of losses from theft, destruction or obsolescence the difference will be evaluated by the Executive Director. Upon this evaluation and the approval of the Board of Commissioners, the appropriate adjustment will be made.