

INTRODUCTION

Established by the Commissioners of the Fitchburg Housing Authority (FHA or Authority) during their duly-posted meeting on March 16, 2016, this Capitalization Policy complies with the U.S. Department of Housing and Urban Development's (HUD) Annual Contribution Contract (ACC), HUD Handbook 7475.1 "Financial Management Handbook" and the Executive Office of Communities and Development's "Accounting Manual for State-Aided Housing." The policy will be effective for all programs in accordance with the Generally Accepted Accounting Principles (GAAP).

This Policy is being established for the purpose of stating the capitalization and disposition criteria in determining, distinguishing, recording and disposing of non-expendable and expendable equipment purchased or acquired in connection with the development, management and maintenance of the programs and public housing development operated by the Fitchburg Housing Authority.

I. NON-EXPENDABLE EQUIPMENT

Where inventory equipment costs \$5,000.00 or more and the anticipated life or useful value of said equipment is more than one year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure. All items that are capitalized will be considered fixed assets of the Authority and be duly recorded and tagged by the Authority's inventory system. Any inventory equipment purchase costing \$1,000.00 to \$4,999.00 may be inventoried by FHA staff for control purposes but it is not subject to depreciation, it is, however, required to be expensed when the items are paid for.

More specifically, inventory items will generally fall into and be tracked by the following categories:

Dwelling Equipment (1465.1)
Office Furniture and Equipment (1475.1)
Maintenance Equipment (1475.2)
Community Space Equipment (1475.3)
Congregate Furnishings (1475.4)
Automotive Equipment (1475.7)

- A. 1465.1 Ranges, refrigerators, and other Authority supplied appliances
 - 1. Refrigerators
 - 2. Ranges

- B. 1475.1 Office Furniture and Equipment
 - 1. Computers and other data processing equipment
 - 2. Calculators and other accounting machines

3. Desks, tables, and chairs
4. Facsimile Machines
5. File cabinets and other safekeeping equipment
6. Photocopiers and other duplicating equipment
7. Photography equipment
8. Telephone equipment

C. 1475.2 Maintenance Equipment

1. Tools and machinery
2. Tractors
3. Snow removal equipment
4. Lawn care equipment
5. Fire control equipment
6. Cleaning equipment
7. Painting equipment
8. Portable heaters
9. Portable pumps
10. Storage equipment
11. Floor sanders
12. Moving equipment

D. 1475.3 Community Space Equipment

1. Sofas
2. Chairs
3. Tables
4. Entertainment equipment
5. Authority owned washers and dryers

E. 1475.4 Congregate Housing and Community Residence Furnishings

F. 1475.7 Automotive Equipment

1. Automobiles
2. Trucks
3. Utility Trailers

II. EXPENDABLE EQUIPMENT

If the initial cost of the equipment is less than \$4,999.00 or its useful life is less than one year, regardless of cost, the item shall be treated and recorded as expendable equipment and chargeable to the appropriate maintenance or administrative program expense. It is at the Housing Authority discretion whether or not to maintain an inventory over those items for control purposes.

III. DETERMINATION OF EXPENDABLE OR NON-EXPENDABLE STATUS

The Executive Director is hereby authorized to make determinations on the purchase of equipment acquired by the Authority in connection with the development, management and maintenance of the developments owned and/or operated by the Authority whether the property is expendable or non-expendable, pursuant to the criteria established above.

IV. CAPITALIZATION FOR INTERNAL CONTROL

The Executive Director is hereby authorized to make determinations on the application of the capitalization criteria with respect to non-expendable equipment, in those instances where the dollar value and/or the anticipated useful life is less than \$1,000.00 or one year where capitalization of the specific equipment would afford, within reasonable limits, more desirable administrative control over the equipment.

V. DISPOSITION OF ITEMS

Excess equipment and/or personal property belonging to the Housing Authority shall not be sold or exchanged for less than fair value. Any Housing Authority equipment that is no longer needed for Housing Authority operations shall be declared excess. Any such excess equipment valued at \$1,000.00 or more, which is not being sold to a public body for a public use or to a non-profit organization for low-income housing related purposes (e.g. a resident organization), shall be sold at a public sale.

Sales of excess equipment and/or personal property shall be conducted in the following manner:

- A. The Executive Director shall declare excess equipment and/or personal property that is worn out, obsolete or surplus to the needs of the Housing Authority. All such declarations shall be documented in writing. A survey to identify such property shall be conducted at least once a year following the inventory.
- B. If the estimated market value of the excess equipment and/or personal property offered for sale is less than \$1,000.00, the Executive Director, at their discretion, may negotiate a sale in the open market after such informal inquiry as he or she considers necessary to ensure a fair return to the Housing Authority. The sale shall be documented by an appropriate bill of sale.
- C. For sales of excess equipment and/or personal property valued between \$1,000.00 and \$4,900.00 the Executive Director shall solicit informal bids orally, by telephone, or in writing from all known prospective purchasers and a tabulation of all such bids received shall be prepared and retained as part of the permanent record. The sale shall be documented by an appropriate bill of sale.

Fitchburg Housing Authority - Capitalization and Disposition Policy - Page 4

- D. For sales of excess equipment and/or personal property valued at more than \$5,000.00 a contract of sale shall be awarded only after advertising for formal bids. The advertisement shall be posted at least fifteen (15) days prior to award of the sale contract and shall be published in newspapers or circular letters to all prospective purchasers. In addition, notices shall be posted in public places. Bids shall be opened publicly at the time and place specified in the advertisement. A tabulation of all bids received shall be prepared and filed with the contract as part of the permanent record. The award shall be made to the highest bidder as to price.

- E. Notwithstanding the above, the sale or donation of excess equipment and/or personal property to a public body for public use or a non-profit organization for low-income housing related purposes may be negotiated at its fair value subject to approval by the Board of Commissioners. The transfer shall be documented by an appropriate bill of sale.

Excess equipment and/or personal property shall not be destroyed, abandoned, or donated without the prior approval of the Board of Commissioners. The Executive Director shall make every effort to dispose of excess personal property as outlined above. However, if the property has no scrap or salvage value and a purchaser cannot be found, the Executive Director shall prepare a statement detailing the prospective bidders solicited and all other efforts made to sell the property, together with recommendations as to the manner of disposition. This statement shall be referred to the Board of Commissioners for its approval. A copy of the Board's approval, together with the complete documentation in support of destruction, abandonment, or donation, shall be retained as a part of the permanent records.