HAWKINS | ASH CPAs

FIXED ASSETS

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FIXED ASSET OVERVIEW

- Capitalization Policy
- Coding of Checks
- Depreciation Schedules

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CAPITALIZATION POLICY

- See Cap Policy Sample
- Dollar Threshold
  - Can be up to $10,000 (just changed with GASB 104)
  - Typically we see $500 to $1,000 but as low as $100
- Pros/Cons of Threshold amounts
  - Low threshold means more time and tracking of assets
  - High threshold means more items expensed (can impact scoring for Public Housing)

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CAPITALIZATION POLICY CONTINUED

- Miscellaneous
  - Life should be more than one year
  - Can be very specific or more general
  - Board should approve
  - Exceptions can be written in – Appliances is a common one

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CODING CHECKS

- *Repairs* are never capitalized regardless of the cost
- Fixed Assets can be split amongst programs or projects. You should look at the overall cost, not the split amounts.
- Buying items in bulk does not necessarily make it a fixed asset. You should look at the cost of individual item purchased.
- Purchase of Fixed Assets with PH reserves for those over 250 units are limited to 20% of subsidy IF included in annual plan

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CODING CHECKS CONTINUED

- Capital Funds
  - Hard versus soft expense – should follow cap policy
  - Coding – include CFP year and account
  - Your fee accountant will need a good budget by project for each CFP grant year.
  - Projects should be moved out of Work in Progress to a Fixed Asset when the entire project is done OR when the CFP is done.
  - Architect & Engineering fees can be capitalized with a particular project.

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Examples

- 20 Refrigerators are purchased for a total of $11,000 ($550 each). How would you code for each Cap Policy?
  - Cap Policy 1
  - Cap Policy 2
  - Cap Policy 3
- Roof Repairs of $3,000. How would you code for each Cap Policy?
  - Cap Policy 1
  - Cap Policy 2
  - Cap Policy 3

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Examples Continued

- Kitchen Updates to 4 units including cabinets $4,000, counter-tops $2,000, and backsplashes $800 for a total of $6,800 ($1,700 per unit). How would you code for each Cap Policy?
  - Cap Policy 1
  - Cap Policy 2
  - Cap Policy 3
- Parking Lot Upgrades paid with a deposit of $4,000 and an additional $4,000 upon completion. How would you code for each Cap Policy?
  - Cap Policy 1
  - Cap Policy 2
  - Cap Policy 3

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DEPRECIATION SCHEDULES

- Additions
  - Proper coding of checks and CFP categorization
  - More detail the better for future reference – can include unit or building
  - Additions and useful life should always follow current cap policy not just what was done in the past
- Write Offs and Deletions
  - Accountants need to be aware of when items should be removed
  - At a minimum, HA's should look through the schedule at year end to see what items have been disposed of and can be removed from the schedule

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