

HARRIS COUNTY HOUSING AUTHORITY

FIXED ASSET POLICY

Effective: April 1, 2013

Last Revised: January 15, 2014

Capitalization Policy

Physical assets acquired with unit costs in excess of \$1,000 are capitalized as fixed assets on financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized fixed assets are accounted for at their historical cost and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives as described later.

Contributed Assets

Assets with fair market values in excess of \$1,000 (per unit) that are contributed to the Housing Authority shall be capitalized as fixed assets on financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives as described later.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized fixed assets shall be recorded in a property log. This log shall include the following information with respect to each asset:

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number)
4. Location of asset
5. Depreciation method
6. Estimated useful life

A physical inventory of all assets capitalized under this policy will be taken every year by the Housing Authority. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Finance Department and CEO.

Receipt of Newly-Purchased Equipment and Furniture

At the time of arrival, all newly-purchased equipment and furniture shall be “eyeballed” for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the vendor immediately.

In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the vendor immediately.

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Depreciation and Useful Lives

All capitalized assets are maintained in the special fixed assets account group and are not to be included as an operating expense. Fixed assets are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month; for example, an asset purchased on the 15th day of the fifth month shall have eight full months of depreciation recorded for that year.

Estimated useful lives of capitalized assets shall be determined by the Finance Department in conjunction with the department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	3 yrs
General office equipment	3 yrs
Computer hardware and peripherals	3 yrs
Computer software	3 yrs
Automobiles	5 yrs
Buildings (acquired prior to 2004)	40 yrs
Buildings (acquired in 2004 and after)	39 yrs
Building improvements	10 yrs
Leased assets	life of lease
Leasehold improvements	5 yrs

Alternatively, at the direction of the Finance Department, capitalized assets may be depreciated over their useful lives expressed in terms of units of production or hours of service.

For accounting and interim financial reporting purposes, depreciation expenses will be recorded annually.

Repairs of Fixed Assets

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

Dispositions of Fixed Assets

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation)

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of the asset will be recorded as a loss if the money received is less than the book value and as a gain if the money received is more than the book value.

Write-Offs of Fixed Assets

The Finance Department and CEO shall approve the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the Finance Department. If not located, this property will be written off the books with the proper notation specifying the reason.