

COMMUNITY DEVELOPMENT AUTHORITY
OF THE CITY OF MADISON, WISCONSIN

Resolution No. **4288**

Approving the Community Development
Authority Capitalization Policy.

Presented September 20, 2018
Referred _____
Reported Back _____
Adopted _____
Placed on File _____
Moved By _____
Seconded By _____
Yeas _____ Nays _____ Absent _____
Rules Suspended _____
Legistar File Number 53100

RESOLUTION

WHEREAS, the Community Development Authority (CDA) must ensure compliance with federal laws, regulations, and notices and must establish policies to clarify federal requirements; and

WHEREAS, the attached CDA Capitalization Policy is required by HUD and is the written statement defining capital assets, capitalization thresholds, capital asset inventory, and disposition of capital assets; and

WHEREAS, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, or *Uniform Guidance* (2 CFR 200) is the applicable federal regulation for the Capitalization Policy; and

WHEREAS, the CDA drafted the attached Capitalization Policy which must be approved by the CDA and made available to HUD; and

WHEREAS, the CDA has historically adhered to the *City of Madison Capitalization, Depreciation, and Amortization Policy* and will continue to defer to this policy in areas not covered under the CDA Capitalization Policy as noted in the policy itself;

NOW, THEREFORE, BE IT RESOLVED that the Community Development Authority adopts the Community Development Authority Capitalization Policy.

Community Development Authority of the City of Madison

Capitalization Policy

1. **Purpose**

To establish and implement controls necessary to protect the assets of the Community Development Authority (CDA), record assets in compliance with federal, state, and municipal rules and regulations, and generally accepted accounting principles (GAAP).

To provide guidelines and parameters necessary to allow the enforcement and implementation of the CDA's capital policies; and to provide a sound basis for accurately valuing the CDA's assets.

To ensure funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

2. **Capital Asset Definition**

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, or *Uniform Guidance* (2 CFR 200) defines capital assets as tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:

- (a) Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and
- (b) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance) [2 CFR 200.12].

The CDA considers some items capital assets that the City of Madison considers ordinary repair/maintenance items such as roof replacements, HVAC, plumbing, and any other items as defined in this policy. Care must be taken to distinguish between costs that materially increase the value or useful life of a capital asset and ordinary repairs and maintenance.

3. **Capitalization Threshold and Procedure**

The CDA establishes \$5,000 per unit as the threshold amount for minimum capitalization. All capital assets costing less than \$5,000 per unit should be expensed in CDA financial statements. Capital assets with an economic useful life of 12 months or less are required to be expensed for financial statement purposes, regardless of the acquisition or production cost.

All capital assets are recorded at historical cost as of the date acquired.

4. Inventory of Capital Assets

All CDA capital assets are assigned an asset ID number maintained by the City of Madison Accounting Department. A physical inventory of all capital assets must be taken and the results reconciled with the property records at least once every two years.

5. Disposition of Capital Assets

The CDA will notify the City of Madison Accounting Department when disposing of any capital asset.

All equipment will be disposed of in accordance with *Uniform Guidance* (2 CFR 200). Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds \$5,000 [2 CFR 200.33].

When original or replacement equipment acquired with HUD funds is no longer needed for the original project or program or for other activities currently or previously supported by HUD, the CDA will request disposition instructions from HUD even if it is fully depreciated for accounting purposes.

6. For definitions and all other matters related to capitalization of assets refer to the [City of Madison Capitalization, Depreciation, & Amortization Policy](#).