



CITY OF SALEM

585 Liberty St SE
Salem, OR 97301

Staff Report

File #: 16-039

Version: 1

Date: 8/8/2016

Item #: 3.2a.

TO: Chair and Housing Authority Commissioners

THROUGH: Steve Powers, Executive Director

FROM: Andrew Wilch, Housing Administrator

SUBJECT:

Revision of Capitalization Policy to increase threshold for determining which Authority assets should be treated as capital costs from \$500 to \$1,500

Ward(s): All Wards

Commissioners(s): All Commissioners

Neighborhood(s): All Neighborhoods

ISSUE:

Shall the Housing Authority Commission adopt Resolution No. 2193 revising the Authority's Capitalization Policy, and increasing the threshold at which assets are capitalized from \$500 to \$1,500?

RECOMMENDATION:

Adopt Resolution No. 2193 revising the Authority's Capitalization Policy, and increasing the threshold at which assets are capitalized from \$500 to \$1,500.

SUMMARY AND BACKGROUND:

The purpose of the Authority's Capitalization Policy is to provide guidelines for determining whether an asset, such as a piece of equipment, fixture, or interest in real property may be capitalized (expensed over the useful life of the asset), or expensed in the year purchased. The current Capitalization Policy set the threshold at \$500 in November of 1998. This low threshold amount causes additional administrative work and typically includes items that are ordinary and necessary business expense to be depreciated over a period of time, instead of expensed within the current fiscal period.

FACTS AND FINDINGS:

Under the updated Internal Revenue Service's (IRS) regulations, and in accordance the Generally Accepted Accounting Principles (GAAP), which allow agencies with audited financial statements to establish capitalization minimum threshold amounts to up \$5,000. Upon the recommendation of our financial statement auditors and after reviewing the Authority's past purchases staff is recommending that the minimum threshold be increased to \$1,500.

Andrew Wilch
Housing Administrator

Attachments:

1. Resolution No. 2193
2. SHA Capitalization Policy

08/08/2016