

**RESOLUTION 22-04-06**  
**OF**  
**HIGHLANDS RANCH COMMUNITY ASSOCIATION**  
**REGARDING CAPITALIZATION POLICY**

**SUBJECT:** Adoption of Capitalization Policy

**PURPOSE:** To adopt a policy outlining the Highlands Ranch Community Association, Inc.'s ("HRCA") approach to recording capital assets, their useful lives, and capitalization threshold

**AUTHORITY:** The Declaration, Bylaws, and Articles of Incorporation of HRCA, and Colorado law

**EFFECTIVE DATE:** 4/19/22

**RESOLUTION:** WHEREAS, the HRCA Board of Directors determined the need to adopt a policy outlining HRCA's approach to recording capital assets, their useful lives, and capitalization threshold.

WHEREAS, the HRCA Board of Directors caused to be prepared the attached policy outlining such approach.

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors adopts the attached Capitalization Policy of the Highlands Ranch Community Association, Inc.

**PRESIDENT'S  
CERTIFICATION:**

The undersigned, being the President of Highlands Ranch Community Association, Inc., a Colorado nonprofit corporation, certifies that the foregoing Resolution was adopted by the Board of Directors of the Association, at a duly called and held meeting of the Board of Directors on April 19, 2022, and in witness thereof, the undersigned has subscribed his/her name.

**Highlands Ranch Community Association, Inc.,**  
a Colorado nonprofit corporation

By: Asa  
Its: President

## **Purpose**

This accounting policy establishes the **Highlands Ranch Community Association's** approach to recording capital assets, their useful lives and capitalization threshold.

### **1. Capital Asset / Controlled Asset definition**

A "Capital Asset" is defined as a unit of property that: (1) is used in operations and has an economic useful life that extends beyond 12 months; **and** (2) was acquired or produced for a cost as noted in the Capitalization Threshold in Exhibit A. Bulk purchases that exceed capitalization threshold discussed in Appendix A are expected to be infrequent. If such purchase occurs, the capitalization threshold will be followed for a total of the bulk purchase with a listing of all items tracked for depreciation and disposal purposes. Capital Assets must be capitalized and depreciated for financial statement purposes.

Capital asset expenditures are generally purchases for furniture, fixtures, computers, equipment, vehicles and building improvements. For a repair or replacement to be capitalized, it must generally be part of a major rehabilitation project that increases the overall value and useful life of the asset. A repair or replacement may also be capitalized if the new item or part is of significantly improved quality compared to the old item. Typically, replacement or restoration to original specifications would not qualify for treatment as a capital asset.

A "Controlled Asset" refers to those items with a cost of less than the amount noted in the Capitalization Threshold, but which are particularly vulnerable to loss or theft. These assets are NOT capitalized or depreciated, but tracked nonetheless.

### **2. Capitalization thresholds**

**Highlands Ranch Community Association** establishes various amounts as the threshold amount for minimum capitalization. Any items costing below this amount should be expensed in **Highlands Ranch Community Association's** financial statements.

### **3. Capitalization method and procedure**

Purchased capital assets are valued for accounting purposes at the total of their purchase price and any related costs for transportation, installation, or other direct, identifiable expense involved in procuring the asset and readying it for its intended use.

Constructed assets are valued at the total amount paid for acquiring or improving the asset including land, labor, materials, engineering, design and inspection fees, construction management fees, and other charges incurred to make the asset ready for its intended use.

Tangible assets costing below the threshold amount are recorded as an expense on the annual financial statements. Alternatively, 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.

4. Depreciation

**Highlands Ranch Community Association** will depreciate all items on a straight-line basis, beginning the month following acquisition or the date the asset was placed in service. Useful life is dependent on the type of asset, as detailed in Exhibit A below. For unique assets, management will develop estimates based on management's expectations of useful life. For construction in progress, the capitalization will begin the month following the receipt of certificate of occupancy.

5. Disposition of Assets

In order to maintain accurate asset records, asset disposals shall be recorded promptly. These records shall reflect whether the items have been traded in, sold, stolen, or destroyed. The Department in which the asset resides will complete a fixed asset disposal form. Information required on the form includes:

- Barcode of Fixed Asset Number (if available)
- Complete description of the item, including brand, model, serial number, color, and/or size.

In cases where the disposition is part of a larger asset, the CPI Inflation calculator will be used to determine the amount to be disposed. For example, if the original asset was recorded in May 1997 with a value of \$100k, the amount paid to improve the original asset will be valued in May 1997 dollars, and that amount will be used to partially write off the original asset.

6. Recordkeeping

Invoice substantiating an acquisition cost of each unit of property shall be retained for seven years.

7. Identifying Inventoriable Assets

When practical and possible, the newly acquired asset should be tagged with a property tag when placed into use.

8. Physical inventory of assets

A physical inventory by location will be conducted annually (one location per year). Every location will be inventoried once during a 48 month period.

## Exhibit A

<b>Asset Class</b>	<b>Threshold for Capitalization</b>	<b>Type of Activity Capitalized</b>	<b>Depreciable Life</b>
Land	All Land	Any Purchase or Donation of Land	N/A
Facilities/Facilities Improvements	\$20,000.00	Acquisition, Construction or Reconstruction in excess of \$20,000.00	5-20 years, depending on improvement but not to exceed the useful life of an underlying asset
Property & Equipment	\$3,000.00	Acquisition of Equipment with a cost exceeding \$3,000.00	5-10 years depending on item
Computer Equip/Software	\$3,000.00	Acquisition, Creation, or Customization of Computer Equipment or Software with a cost exceeding \$3,000.00	3-5 years, depending on expected useful life of equipment/software
BC Trail Design/Signage/Fencing	\$3,000.00	Acquisition, Construction, or Reconstruction of Backcountry Trails/Signage/Fencing exceeding \$3,000.00	10 years
Livestock	\$1,500.00	Acquisition of livestock with a cost exceeding \$1,500.00	5-15 years, depending on item
Vehicles	\$5,000.00	Acquisition of Vehicles with a cost exceeding \$5,000.00	3-10 years, depending on item