Jackson Parish Police Jury

# Capital Assets

Adopted by the Jackson Parish Police Jury effective March 11, 2019

**Policy:**
A capital asset is a tangible asset of the Jackson Parish Police Jury that has a cost threshold and estimated useful life as defined in the Asset Classifications below. Examples include land, buildings and improvements, and equipment used in the operations of the Police Jury. Also, capital assets include the infrastructure assets (roads, bridges, etc.) of the Parish.

The Jackson Parish Police Jury will maintain records of its capital assets. The Secretary-Treasurer will be responsible for marking or tagging all fixed assets, maintaining an accounting record, and the annual taking of a physical inventory.

All fixed assets will be assigned a number and be tagged or marked as property of the Jackson Parish Police Jury.

The accounting record shall include purchase date, costs, and disposition. In addition, descriptions, tag numbers, serial numbers, method of acquisition, and primary location shall be recorded. All pertinent data shall be recorded on a current basis.

The physical inventory will be accomplished by the Secretary-Treasurer and one other person. These persons will inspect and note the general condition of the assets annually.

**Objective:**
(1) To provide physical control of the general fixed assets that is the responsibility of the Police Jury.
(2) To provide accountability on a continuing basis for the capital expenditures of the Police Jury.

**Legal Basis**:
Louisiana Revised Statutes 24:515 B (1)
B. (1) The head of every public entity subject to examination and audit under the provisions of RS 24:515 (A) shall maintain records of all land, buildings, improvements other than buildings, equipment and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable. The records shall include information as to the date of purchase of such property or equipment, the initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the property or equipment disposed of. When ascertaining the exact cost, exact selling price, or any other relevant information on property or equipment obtained prior to January 1, 1980, creates a hardship on the agency involved, such agency may provide estimates of the information which cannot be ascertained. The records shall be made available to the Legislative Auditor or, where the audit is conducted by a Certified Public Accountant, the CPS, at the time of examination and audit of the public entity or at any such time as the Legislative Auditor or Certified Public Accountant requests that copies of such records be furnished. The records shall not include office supplies and shall be used as one of the criteria in determining the rating which the entity being audited will be given.

**Asset Classifications:**
Capital Assets will be classified and accounted for according to the follow table:

| Asset Category | Threshold | Useful Life |
|---|---|---|
| Vehicles | $5,000 | 7 yrs. |
| Heavy Equipment/Machinery | $5,000 | 5 yrs. |
| Heavy Equipment: Device | $5,000 | 5 yrs. |
| Heavy Equipment: Industrial Fixture | $10,000 | 25 yrs. |
| Building Purchase or Construction | $15,000 | 40 yrs. |
| Building Improvements | $15,000 | 20 yrs. |
| Land Purchase | Any | Perpetual |
| Land Improvements & Infrastructure | $15,000 | 15 yrs. |
| Infrastructure: Parish Roads | $20,000 | 10 yrs. |
| Infrastructure: Model Bin Site | $20,000 | 20 yrs. |
| Office Equipment/Furniture | $5,000 | 7 yrs. |
| Computers/IT Equipment | $5,000 | 3 yrs. |
| Internal Use Software (Minor) | $5,000 - $25,000 | 5 yrs. |
| Internal Use Software (Major) | Over $25,000 | 10 yrs. |
| Construction In Progress | | Once completed |

*Note: in cases where a purchase is made and the specific life expectancy is established that does not agree to the above table, the Useful Life will be adjusted to match the established life of the asset. Documentation must be maintained on file for any differences.*

**Definitions:**
*Vehicles:* Capitalized if cost is $5,000 or more – 7 year life. Vehicles are classified as light-duty trucks and automobiles used primarily for transport of personnel and light equipment and supplies.

*Heavy Equipment/Machinery:* Capitalized if cost is $5,000/$10,000 or more – 5/25 year life. Heavy equipment and machinery refer to "industrial fixtures" attached to a building or to land or a "device" that is not attached to a building or site. Examples of devises are forklifts, boom trucks, compact trucks, air compressors, heavy-duty trucks, dump trucks, tractors, mowers, trailers, etc. Examples of "industrial fixtures" are boilers, air handling units, heat pumps, generators, etc.

*Building Purchase or Construction:* Capitalized if cost is $15,000 or more – 40 year life. All direct costs of construction should be included in calculating the capitalized cost of the asset. Direct costs include architect/engineering/legal fees, permits, interest incurred as a result of the building project, as well as actual construction costs. Included with this category are all permanently attached fixtures, machinery, and other components that cannot be removed without damage resulting to the building. If a component can be removed without damage, then it should be considered equipment and not included in the cost of the building. The cost of a building should not be adjusted for repairs, maintenance, or replacement of component parts that do not extend the building's original useful life or significantly enhance its net value. For example, work to maintain buildings in their existing condition, such as painting, repairs, or roof repairs should be expensed in the period in which the work is completed.

*Building Improvements:* Capitalized if cost is $15,000 or more – 20 year life. Building improvements are significant alterations, renovations, or structural changes that meets or exceeds $15,000 and that increase the usefulness of the asset, enhance its efficiency, or prolong its useful life. For example, the complete replacement of a roof would be capitalized if the cost exceeds the capitalization threshold ($15,000). Building improvements may include interior or exterior construction of a building or building systems, such as communication wiring, electrical or plumbing systems. They may also include the completion of interior or exterior appointments or finishes, so long as they are done as part of a significant alteration or renovation. Material remodeling or renovation that exceeds $15,000 in cost should be capitalized as a building improvement. Remodeling is defined as the changing of existing facilities by rearrangement of spaces and their use. Examples include the conversion of an office suite to a storage building or the conversion of a closed plan arrangement to an open plan configuration. Renovation is defined as rejuvenating or upgrading existing facilities by installation or replacement of materials and equipment and includes, but is not limited to, interior or exterior reconditioning of facilities and spaces, air conditioning, heating, or ventilating equipment.

Maintenance and renovations and costs below the threshold should be expensed. Distinguish between an expenditure that is a repair versus an improvement that extends the useful life of the asset.

*Land Purchase:* Capitalized for all costs – perpetual useful life. All direct costs of acquiring and preparing the land for service should be included in the capitalized cost of the asset. Direct costs include broker/architect/engineering/legal fees, permits, as well as actual purchase cost. Land is deemed to have a perpetual useful life and is therefore not depreciated.

*Land Improvement & Infrastructure:* Capitalized if cost is $15,000 or more – 15 year life. Land improvements and infrastructure includes assets such as parish roads, model bin sites, parking lots, fencing, gates, athletic field's lighting, utility distribution systems, cabling and networking between buildings, sidewalks, roads, drainage and sewer systems. All direct costs of construction or alteration should be included in calculating the cost of the land improvement.

Work to maintain land improvements in their existing condition, for example, general road maintenance, resurfacing a parking lot, or repairing a fence should be expensed.

> *Infrastructure/Parish Roads:* Capitalized if cost is $20,000 or more – 10 year life. Infrastructure of Parish Roads refers to the major construction performed through the annual Road Program of a Parish Road. All direct costs of acquiring and preparing the road for service should be included in the capitalized cost of the asset. Direct costs include engineering, legal fees, permits, contracted work, as well as any other costs.

> *Infrastructure/Model Bin Site:* Capitalized if cost is $20,000 or more – 20 year life. Infrastructure of Parish Model Bin Sites refers to the major construction of a solid waste dumping site within the Parish. All direct costs of acquiring and preparing the site for service should be included in the capitalized cost of the asset. Direct costs include engineering, legal fees, permits, contracted work, land purchase, as well as any other costs.

*Office Equipment/Furniture:* Capitalized if cost is $5,000 or more – 7 year life. Office equipment/furniture is a movable or fixed unit of furniture or furnishings, instrument, machine, apparatus, or set of articles which generally meets all of the following conditions:

- It retains its original shape and appearance with use.
- It is nonexpendable; that is if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to repair it than to replace it within an entirely new unit.
- It represents a substantial investment of money.
- It does not lose its identity through incorporation into a different or more complex unit or substance.

- It must be non-expendable, tangible personal property having an economic useful life of more than one year.

A group of assets that in total cost $5,000 or more (e.g., 10 chairs costing $500 each or 5 computers costing $1,200 each) is not capitalized unless they fall under the criteria of a pooled asset (defined below).

*Computers/IT Equipment:* Capitalized if cost is $5,000 or more – 3 year life. IT equipment that is purchased with a unit price greater than $5,000 including but not limited to servers, telecommunications equipment, copiers, printers and multi-functional machines are capitalized.

This includes stand-alone units or a combination of equipment for a system. Such as a conference room media installations where the total cost of the components that make up the media “system” are $5000 or greater.

A group of assets that in total cost $5,000 or more (e.g., 10 computer $800 each or 5 treadmills costing $2,000 each) is not capitalized unless they fall under the criteria of a pooled asset (defined below).

*Internal Use Software (Minor):* Capitalized if cost is $5,000 - $25,000 – 5 year life. The software is acquired, internally developed, or modified solely to meet the entity’s internal needs. Direct costs include conversion fees, training, support, and hosting.

*Internal Use Software (Major):* Capitalized if cost is more than $25,000 – 10 year life. The software is acquired, internally developed, or modified solely to meet the entity’s internal needs. Direct costs include conversion fees, training, support, and hosting.

*Pooled Asset:* A pooled asset is defined as a group of assets (furniture, furnishings, equipment, and fixtures) that individually do not meet the capitalization threshold but are purchased in a large quantity for a specific space that will transform or upgrade the space. The pooled asset method provides for small dollar/large quantity assets to be appropriately reflected on the financial statements without imposing the unnecessary tracking of each asset individually as a practical expedient. All purchases handled under the pooled asset method are to be capitalized into a pool that is given a unique name for tracking purposes. The cost should include full acquisition cost, including, where applicable, such items as design costs, outside installation costs, furniture assembly, freight charges, warehousing, and insurance. The total cost of the pooled assets must be greater than $5,000.

**Procedures:**

*Capital Asset Additions*

1. During the year, the Department Superintendents are to notify the Secretary-Treasurer when a capital asset is purchased and received.
2. The Secretary-Treasurer is to obtain the supporting documentation (e.g., purchase order, invoice, etc.) to record the asset information on the capital asset listing. Information recorded should include the asset description, date of acquisition, location, department, cost (or fair value if donated), salvage value, and estimated useful life.
3. The Secretary-Treasurer is to assign an identification number to the asset and record that number on the listing. The Secretary-Treasurer (or designee) is to affix a tag/sticker to the asset that displays the identification number and the name of the municipality.

*Capital Asset Deletions/Disposals*

1. During the year, the Department Superintendents are to notify the Secretary-Treasurer when a capital asset is no longer useful in operations and thus available for disposal.
2. The Secretary-Treasurer is to consult with legal counsel to ensure compliance with state laws that pertain to the disposal (e.g., sell, exchange, etc.) of Parish property/assets.
3. The Secretary-Treasurer will present all documentation to the Police Jury in an Open Meeting session to request permission to dispose of the asset(s).
4. All disposal related documentation (e.g., board resolutions, appraisals, advertisements, bids received, etc.) is to be maintained by the Secretary-Treasurer.
5. The Secretary-Treasurer is to identify the asset on the listing and document its disposal (e.g., date, proceeds, etc.).

*Annual Physical Inventory of Capital Assets*

The Secretary-Treasurer is responsible for ensuring that a physical inventory of capital assets is conducted at or near the end of each fiscal year.

1. Approximately 15 days before the end of each fiscal year, Department Superintendents are to be provided with a complete listing of the capital assets for which they are held accountable. These inventory lists are to be used to document their physical inventory.
2. Department Superintendents (or designees) are to conduct the inventory by touring the department/premises and locating each asset listed. Every effort is to be made to locate all assets of the Police Jury.
    a. For each asset that is observed, place a check-mark on the inventory listing next to the description of the asset
    b. Verify that the asset's location is the same location shown on the inventory listing. If not the same location, make a note of the change.
    c. For an asset that is missing, place an "x" on the listing next to the description of the asset.
    d. Department Superintendents are to immediately notify the Secretary-Treasurer of any missing assets.
3. The Secretary-Treasurer is to notify the District Attorney and Legislative Auditor of any misappropriation of assets.
4. Upon completion of the physical inventory Department Superintendents are to sign and date their inventory lists and return to the Secretary-Treasurer.
5. The Secretary-Treasurer is to review the inventory lists for completeness and for any notes made by Department Superintendents. The Secretary-Treasurer updates the capital assets listing for any changes and prints a final listing.
6. Annually, the listing of capital assets is to be reconciled/agreed with the assets account balance(s) recorded in the accounting system (general ledger).
7. The inventory lists and the final capital assets listing are to be made available to the auditor upon request.