

2004-0082

INTRODUCED BY: ALBERT D. LAQUE, PARISH PRESIDENT  
(Department of Finance)

RESOLUTION NO. 5157

A resolution establishing the Fixed Asset Capitalization Policy for the St. Charles Parish Council.

- WHEREAS, In 1982 the St. Charles Parish Council determined that the capitalization limit for fixed assets would be those assets with a value of \$100 or more and a useful life of more than one year; and,
- WHEREAS, In 1994 the St. Charles Parish Council increased the capitalization limit to items with cost of \$500 or more; and,
- WHEREAS, Capitalization threshold is a financial reporting issue intended to provide meaningful information to financial statement users and not a means of controlling inventory; and,
- WHEREAS, According to the Government Finance Officers Association (GFOA), practice has demonstrated that fixed asset systems that attempt to incorporate data on numerous smaller tangible capital type items are often costly and difficult to maintain and operate; and,
- WHEREAS The GFOA has recommended since 1997 that governments should not establish a capitalization threshold of less than \$5,000 for any individual item, and
- WHEREAS The Louisiana Legislative Auditor has recommended a threshold of \$5,000 for governments with revenues between \$10 and \$100 million, and
- WHEREAS, For financial reporting of the year 2003, the St. Charles Parish Council will be required to capitalize all fixed assets including infrastructure to comply with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements, and Management's Discussion and Analysis for State and Local Governments. (GASB 34); and,
- WHEREAS, To simplify compliance issues and acknowledge the recommendations of the Louisiana Legislative Auditor and Government Finance Officers Association; and,
- WHEREAS, The present \$500 capitalization threshold has created paperwork nightmares for Parish Departments and Agencies trying to track, transfer, dispose, etc. of physical inventories; and,
- WHEREAS, Raising the capitalization limit to \$5,000 would reduce the number of fixed assets manually maintained by some 60% while reducing the recorded cost of fixed assets by only 3%.

NOW, THEREFORE, BE IT RESOLVED THAT WE THE MEMBERS OF THE ST CHARLES PARISH COUNCIL, do hereby establish a new Fixed Asset Capitalization Policy as follows:

- I. Fixed assets must have a useful life of more than two years; and,
- II. Fixed assets must have a per-item dollar cost, or estimated cost for contributions, of \$5,000 or more.
- III. Items with a useful life of more than two years, costing between \$1,500 and \$4,999 will be tracked through the Finance Department for inventory control purposes.

The foregoing resolution having been submitted to a vote, the vote thereon was as follows:

YEAS: MARINO, FAUCHEUX, HILAIRE, FABRE, RAMCHANDRAN, WALLS, BLACK, DUHE, MINNICH  
 NAYS: NONE  
 ABSENT: NONE

And the resolution was declared adopted this 8th day of March, 2004, to become effective five (5) days after publication in the Official Journal.

CHAIRMAN: Lance Manno  
 SECRETARY: Barbara J. Jucha  
 DLVD/PARISH PRESIDENT: March 9, 2004  
 APPROVED: \_\_\_\_\_ DISAPPROVED: \_\_\_\_\_

PARISH PRESIDENT: Albert D. Laque  
 RETD/SECRETARY: March 10, 2004  
 AT: 1:51 pm RECD BY: (Signature)