

**A RESOLUTION ESTABLISHING A CAPITALIZATION
POLICY FOR THE PURCHASE AND ACQUISITION OF
FIXED ASSETS**

WHEREAS, the County of Elko has a need for a Capitalization Policy to ensure adequate fixed asset records are maintained and to assure that governmental property, plant and equipment are not stolen, misused, or subject to undo wear and tear.

WHEREAS, Governmental Accounting Standards Board (GASB) Statement No. 34 will require depreciation to be reported in the Statement of Net Assets beginning in fiscal year 2002 - 2003.

NOW THEREFORE BE IT RESOLVED that effective immediately a Capitalization Policy shall be implemented as follows:

BACKGROUND

Adequate fixed asset records are necessary to assure that governmental property, plant and equipment are not stolen, misused, or subject to undo wear and tear. The records insure a stewardship responsibility for particular assets on individual government officials.

Nevada Revised Statues (NRS 354.625) requires the establishment and maintenance of adequate property and equipment records. All property, equipment and inventory records must clearly indicate specific ownership. The Office of Fiscal Affairs is responsible for the maintenance of property and equipment records.

Nevada Administrative Code (NAC 354.750) requires a governmental entity to take a physical inventory at least once every two (2) years of all its equipment and other property which constitute fixed assets. Each item is required to have an identifying number and be labeled as belonging to the local government.

Governmental Accounting Standards Board (GASB) issued Statement No. 34 in June 1999. This Statement will require depreciation to be reported in the Statement of Net Assets. Depreciation is an accounting method used to allocate the cost of capitalized assets over their useful life. A capitalized item, which by definition lasts more than one year, is allocated to future accounting years to be matched with revenues. Depreciation is a useful management tool for estimating market value, which can be used to set sales prices for items in the surplus process and make decisions on replacement purchases. The effective date for Elko County's implementation of GASB 34 is the fiscal year ending June 30, 2003.

Generally Accepted Accounting Principles (GAAP) currently require depreciation to be recorded in non-expendable trust funds, internal service funds, and enterprise funds. GAAP allow depreciation to be recorded in the General Fixed Assets Account Group but does not require it.

Elko County has historically not recorded depreciation in the General Fixed Assets Account Group. Land and consumable items are never depreciated. Consumables are items that do not meet the capitalization criteria.

CAPITALIZATION POLICY

Capitalized Assets:

A capitalized fixed asset is property, such as land, infrastructure, buildings and equipment, with a cost equal to or greater than five thousand dollars (\$5,000.00) and a useful life of one or more years (except as identified below). Capitalized assets received by gift or donation are capitalized at their fair market value on the date of the gift or donation. Capitalized fixed assets are acquired for use in normal operations and are not for resale. These assets may be subject to depreciation. All capitalized assets should be entered into the Fixed Asset System. All capital assets are to be tagged with a County inventory tag.

- Land: The land account includes all land and land improvements purchased or otherwise acquired. The acquisition of land will be recorded as a capitalized asset regardless of dollar value. Demolition and landscaping that have a cost of five thousand dollars (\$5,000.00) or more are capitalized and carried in the land account.
- Infrastructure: The infrastructure account records "improvements other than buildings" such as parking lots, sidewalks, drainage systems, playgrounds, roads, bridges, cattle guards and fences, that have a cost of five thousand dollars (\$5,000.00) or more.
- Buildings: The buildings account includes the value of all buildings at purchased price or construction cost. Additions and modifications to buildings (e.g. a new heating and ventilating system) or other permanently attached fixtures should be added to the building account when these costs are five thousand dollars (\$5,000.00) or more and extend the useful life of the asset.
- Equipment: The equipment account should consist of property (vehicles, machinery, furniture, and equipment) that has a value of five thousand dollars (\$5,000.00) or more, does not lose its identity when removed from its location, is not permanently attached to a structure or infrastructure, and is not changed materially or expended in use. This property should be recorded at cost, including freight, installation and other charges incurred to place the asset in use.

Non-Capitalized Assets:

Assets costing less than five thousand dollars (\$5,000.00) are expensed; they are not capitalized nor depreciated for financial reporting purposes. However, the County has chosen to include them in a supplemental fixed asset inventory record for safekeeping and insurance purposes. These items are particularly susceptible to the risk of theft or loss. The following is a partial list of non-capitalized fixed assets that will be tagged and tracked in the supplemental fixed asset inventory records:

- a. Cameras
- b. Computers (desktop and laptop)
- c. Copiers
- d. Monitors (TV, Video, Computer, etc.
- e. Players, audio/video (disc or cassette)
- f. Printers
- g. Projectors
- h. Receivers (TV, radio, 2 way radios, etc.)
- i. Recorders, audio/video (disc or cassette)
- j. Scanners
- k. Speakers
- l. Handguns, shotguns, rifles etc.
- m. Other items as determined by the Elko County Office of Fiscal Affairs.

CAPITAL OUTLAY POLICY

It is the policy of Elko County that budgeted funds be expended by officials only for those purposes approved annually during the budget process by the Board of County Commissioners or in accordance with the exceptions provided in the following capital outlay procedure.

DEFINITION - CAPITAL OUTLAY

Generally, capital outlay is defined as personal property purchases including, but not limited to, vehicles, equipment, computers, office furniture, etc. Some special department projects such as building construction and remodeling, drainage projects, etc, are also budgeted as capital outlay.

CAPITAL OUTLAY PROCEDURE

At the time annual budget requests forms are submitted, Department Head's/Elected Official's shall include copies of available descriptive material showing the capital outlay items requested for funding and its costs. In the case of capital outlay projects, a breakdown of estimated costs associated with the project is to be submitted.

Each fiscal year, Department Head's/Elected Official's will be provided with a list of capital outlay purchases and projects approved by the Commissioners in the final budget.

In recognition of the need for occasional unanticipated capital outlay expenditures for priority items not approved during the budget hearings (such as mid-year equipment failures, etc.), the following procedure applies:

With the concurrence of the Office of Fiscal Affairs prior to any commitment of funds, expenditures may be made which do not exceed five thousand dollars (\$5,000.00) or the total amount of capital outlay budgeted (whichever is less) in the requesting Department Head's/Elected Official's budget. Capital outlay expenditures, which exceed this limit, require approval of the Board of County Commissioners prior to any commitment of funds.

ACCOUNTING CLASSIFICATION

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|--------------------------------|--|
| Capitalized Fixed Assets - | Purchases of capitalized fixed assets as defined above will be classified as capital outlay and included in the Fixed Asset Inventory records for recording in the County's annual Financial Statement. |
| Non-Capitalized Fixed Assets - | Purchases of non-capitalized fixed assets as defined above will be classified as a services and supply expenditure and will not be recorded in the Fixed Asset Inventory records for financial reporting purposes but will be maintained in a separate supplemental fixed asset inventory for management and insurance purposes. |

DEPRECIATION OF FIXED ASSETS

Elko County uses straight line depreciation, which calculates depreciation using an item's acquisition cost less its salvage value, divided by the item's useful life in years. This produces a single depreciation amount, which is used for each year of the item's useful life. Other depreciation methods allow for more depreciation in the earlier years of the item's useful life, however, it is the County's policy to use the straight line methodology.

TAGGING

All newly ordered capitalized and non-capitalized assets (included on the supplemental fixed asset inventory) are required to have a County Property Tag attached as quickly as possible in an area where the tags aren't likely to be removed but easily found and clearly visible. Upon receipt of any new, used or donated assets, the Department Head's/Elected Official's will contact the Office of Fiscal Affairs for coordination of the asset tagging. Department Head's/Elected Official's will be responsible for physically tagging the asset and communicating model, serial number and any other pertinent information to Fiscal Affairs.

SOURCE OF FUNDING

The funds used to purchase fixed assets will be identified in the fixed asset system. For example, items purchased using special revenue fund monies will be identified as special revenue assets; general fund purchases will be identified as general fund assets; and assets purchased with grant funding will be identified by grant program.

DONATED ASSETS

Useful and needed assets donated to Elko County are appreciated and eagerly accepted. The donor of these assets will be given a Donated Asset Receipt, stating the appropriate information. Elko County will not accept responsibility for determining fair market value of assets less than five thousand dollars (\$5,000.00) for tax purposes of the donor. However, the Office of Fiscal Affairs will establish the fair market value of the asset for capitalization purposes.

Donated assets will be carefully inspected for usefulness by appropriate County personnel. Each potential donated asset will be evaluated for hidden cost to the County (transport, set-up, maintenance and repair) prior to accepting a donated item. The County maintains the right to refuse assets that may be too costly to maintain or operate.

FIXED ASSET RETIREMENTS

A. Retirement of Functional Assets:

1. Assets with an original cost less than \$5,000.00:

Department Head's/Elected Official's will have the authority to review and inspect an asset with an original cost less than \$5,000.00 to determine whether the asset should be retired. These assets will be retired from the fixed asset inventory when notification of retirement has been processed through the Office of Fiscal Affairs, but not later than annually. A plan of disposition will be developed for these assets.

2. Assets with an original cost greater than \$5,000.00:

Department Head's/Elected Official's will review each request and inspect the asset with an original cost of \$5,000.00 or more to determine whether the asset should be retired and, if so, the appropriate method of retirement. Based on the Chief Financial Officer/ Designee consensus, a proposal, if necessary, will be developed for retirement.

3. Fixed assets originally purchased through Federal Grants:

Any fixed assets acquired with federal grant monies must be disposed of pursuant to the appropriate federal regulations.

B. Retirement of non-repairable assets:

1. Department Head's/Elected Official's are to identify furniture, equipment or other fixed assets, which are beyond repair, or the repair cost it known to exceed the replacement value and the only value to the County would be to cannibalize the item for service parts.
2. Obsolete items identified should be disposed of during the annual Dutch Auction.
3. Department Head's/Elected Official's should identify these items on their annual fixed asset inventory listing. The Office of Fiscal Affairs will adjust the fixed asset records.

C. Retirement of Missing Assets:

If there are missing fixed assets, the following procedures should be used:

1. Conduct a thorough search of the premises for the missing item.
2. Review any sign-in/out logs on equipment and interview the person to whom each item was assigned concerning the asset's whereabouts.
3. When assets are missing and there is no suspicion of theft, the Office of Fiscal Affairs must be provided notification at least annually. The Office of Fiscal Affairs must approve the disposition. Once approved, the Office of Fiscal Affairs will adjust the Fixed Asset records.

D. Retirement of Stolen Assets:

If any fixed asset is stolen, the following procedures should be followed:

1. Conduct a thorough search of the premises for the missing item.
2. Review any sign-in/out logs on equipment and interview the person to whom each item was assigned concerning the asset's whereabouts.
3. Notify the Office of Fiscal Affairs of any stolen equipment. The appropriate course of action will be determined by the County Manager and Office of Fiscal Affairs.
4. The Office of Fiscal Affairs will remove the asset from the fixed inventory record.

TRANSFERS OF ASSETS TO OTHER LOCATIONS

The fixed asset system tracks items by location, it is essential that transfers of items be recorded. All transferred assets must be identified, at least annually, on the fixed asset inventory sheets and returned to the Office of Fiscal Affairs. The fixed asset records will be adjusted to reflect transfers of assets.

ANNUAL PHYSICAL INVENTORY

Annual Inventory - An annual physical inventory is required by County Policy. To maintain an accurate account of County possessions and comply with County Policy, Nevada Revised Statutes and Administrative Code; an annual physical inventory of fixed assets must be taken. Department Head's/Elected Official's are responsible for ensuring that fixed asset records are up-to-date. The procedure for the physical inventory is as follows:

1. The dates of the annual physical inventory will be established by the Office of Fiscal Affairs. Instructions on accomplishing the inventory and a printout of current fixed asset data will be sent to Department Head's/Elected Official's.
2. Upon receipt of the printouts, the data presented should be updated and verified as follows:
 - a. Check data on printouts, verifying the information such as tag number, serial number and description of each item listed.
 - b. Validate whether the asset is still in use and is in a usable state. (If not, should it be considered for retirement?)
 - c. Correct errors, noting them directly on the printout.
 - d. Add to the listing any assets which are present but do not appear on the printout, providing as much information as possible (serial number if available).
 - e. Notify the Office of Fiscal Affairs of any transfers or retirements of fixed assets not previously reported.
 - f. The adjusted copy of the printout should be signed and dated by the Department Head/Elected Official and sent to the Office of Fiscal Affairs.

AUDIT PROCEDURES

The Office of Fiscal Affairs has the authority to audit fixed asset records at anytime. Department Head's/Elected Official's should keep assets accounted for in a way that permits random spot-checks at each location. Irregular findings will be reported to the Department Head/Elected Official, County Manager and Chief Financial Officer as deemed necessary by the Office of Fiscal Affairs.

MAINTENANCE COSTS

Maintenance expenses are incurred to keep assets in normal operating condition and to help maintain the original use of the asset. Maintenance expenses do not extend the life of the asset beyond the expected useful life at acquisition or increase the future service potential of the asset. Maintenance costs are incurred to keep the asset operational throughout its useful life. Regardless of the dollar amount, maintenance costs are expensed and not capitalized. The costs are charged to repairs and maintenance expense.

NOW THEREFORE BE IT RESOLVED that effective immediately a Capitalization Policy for the Purchase and Acquisition of Fixed Assets shall exist.

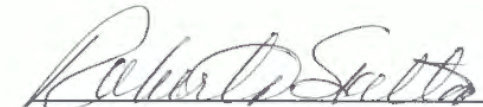
PROPOSED by Commissioner Lloyd

Seconded by Commissioner Nannini

PASSED and ADOPTED this 12th day of July, 2000.

VOTE:

AYES - Tony Lesperance, Nolan Lloyd, Mike Nannini, Brad Roberts,
 Roberta Skelton
NAYES - None
ABSENT - None


ROBERTA SKELTON, CHAIRMAN
BOARD OF COUNTY COMMISSIONERS
ELKO COUNTY, NEVADA

ATTEST:


KAREN DREDGE, ELKO COUNTY CLERK