
**STOREY COUNTY ADMINISTRATIVE
POLICIES AND PROCEDURES**

NUMBER: 049
EFFECTIVE DATE: 07-03-2012
AUTHORITY: BOC
COUNTY MANAGER: PAW

SUBJECT: CAPITAL/FIXED ASSETS

- I. PURPOSE:** The purpose of a capital/fixed asset inventory system is to provide control and accountability over governmental property, plant and equipment, and to gather and maintain information needed for the preparation of financial statements. Capital asset records ensure that a stewardship responsibility for assets is placed on individual government officials to assure that governmental property and equipment is not stolen, misused, or subject to undo wear and tear.
- II. POLICY:** The Nevada Revised Statutes and Generally Accepted Accounting Principles (GAAP) require the establishment and maintenance of adequate property and equipment records relating to the acquisition, control and disposition of assets. The Nevada Administrative Code requires the governmental entity to take a physical inventory at least once every two years of all its equipment and other property that constitute capital assets. Each item with a value of \$3,000 or more is required to have an identifying number and be labeled as belonging to the local government. (ie, serial number, asset tag, etc.) Each Department is responsible to notify the Comptroller of any acquisitions, change of custody of assets, capital projects and disposal or retirement of capital assets.

Property obtained through the tax collection process is governed per NRS and is exempt from this process.

III. DEFINITIONS:

- A. Ancillary Costs:** Any costs, in addition to purchase price or cost of construction, incurred to place an asset in its intended location and condition for use.
- B. Capital Outlay:** Machinery and equipment valued at \$3,000 or more with a life expectancy of more than one year. Examples include furniture, appliances, equipment, vehicles and motorized equipment. These assets are acquired for use in normal operations and are not acquired for the purpose of resale. They do not lose their identity when removed from their location and are not permanently attached to a structure or infrastructure.
- C. Capital Project:** The purchase, construction or replacement of the physical assets and facilities of the County. These assets are of a non-recurring nature, are valued at \$3,000 or more in total and have a useful life of more than one year. Examples include: land, buildings and infrastructure. Costs include all expenditures related to the planning, permitting, design, and construction necessary to bring a facility on line and can also include reimbursement of a project manager's time and overhead costs.
- D. Capitalization:** The procedure of adding an asset to the capital asset inventory. When an asset is added to the inventory records it is "capitalized".

- E. Capitalization Threshold:** With this policy, the County establishes \$3,000 as the minimum value at which acquired assets will be added to the capital asset inventory. This dollar threshold will not be applied to the acquisition of land. Land should be added to the inventory regardless of its value.
- F. Capital Fixed Assets:** Assets of a long-term character that is intended to continue to be held or used such as machinery, equipment, furniture, land, buildings, and infrastructure (Per NRS354.528).
- G. Sensitive Assets and Inventory:** Certain assets costing less than \$3000 are susceptible to the risk of theft or loss.
- H. Small Equipment:** Capital outlay type purchases of less than \$3,000 will be expensed as small equipment and will not be ‘capitalized’.
- I. Small Projects:** Capital project type purchases of less than \$3,000 in total will be expensed as small projects and will not be “capitalized”.
- J. Warehouse:** It is the function of Public Works to accept all surplus property, including Capital Assets, to store, disperse to other departments, dispose of, or auction as determined appropriate. (Per NRS 332.185).

IV. PROCEDURE:

A). METHODS OF ACQUISITION:

- 1) **Purchased Assets:** Use the purchase cost plus all appropriate ancillary costs.
- 2) **Constructed Assets:** Include all direct costs and ancillary costs associated with the construction. Department project management costs may be capitalized.
- 3) **Donated Assets:** All donations of assets to the County with a fair market value or estimated value of \$3,000 or more are to be approved by the Storey County Board of Commissioners or County Manager. All donations of land regardless of value are to be approved by the Storey County Board of Commissioners. A copy of the approval should be sent to the Comptroller. Prior to donation, items should be inspected for condition and usefulness by the appropriate County personnel and evaluated for hidden costs (transportation, set-up, maintenance & repair) before submission for acceptance by the Board of Commissioners or County Manager. Use the fair market value at time of acquisition plus all appropriate ancillary costs when recording the asset value. If fair market value is not practical, use the estimated cost. If is acquired by gift, the capitalized value is to reflect its fair market value at the time of acquisition.
- 4) **Confiscated Weapons and Vehicles:** The Nevada Revised Statutes provides that the Sheriff must confiscate dangerous weapons from persons charged with the commission of a public offense. Any weapons with a value of \$3,000 retained for department use must be added to the Capital Asset inventory. The Nevada Revised Statutes provides that the Sheriff may seize a vehicle for various reasons. If the court declares that the seized vehicle is forfeited, the department may retain

the vehicle for departmental use. Any vehicle with a value of \$3,000 or more retained for department use must be added to the Capital Asset inventory.

B) CUSTODY OF ASSETS: Each department head or elected official is responsible for the custody of departmental assets and for assurance that all assets are suitably identified, correctly used, properly maintained, and adequately safeguarded.

- 1) Under no circumstances may County owned equipment be donated, traded-in, or given to another entity without prior approval from the Storey County Board of Commissioners or County Manager in accordance with Nevada Revised Statutes. A copy of the approval should be sent to the Comptroller.
- 2) No employee may use for private gain or advantage the County's time, facilities, equipment, money, materials or the prestige and influence of their position.
- 3) All assets must be registered or titled as Storey County, do not list the department. An exemption can be for Federal or State purchases that require other specifications on title registrations. All departments must give to the Clerk all vehicle & heavy equipment titles issued to Storey County for safe keeping.

C) MAINTENANCE OF CAPITAL ASSET:

(1) Capital Asset Additions:

(a) Capital Outlay:

1. **Machinery & Equipment:** All machinery, equipment and vehicles, costing \$3,000 or more should be charged to a general ledger expense capital outlay account. The acquisition of machinery & equipment and motor vehicles should be entered at cost plus all ancillary charges or costs (i.e. vehicle equipment).
2. **Sensitive Assets and Inventory:** These items are particularly susceptible to the risk of theft or loss and therefore each department may choose to track these items internally. These assets will not be included in the Capital Asset System, but will be included in the inventory list. If problems arise with theft or loss of high-risk equipment, a procedure for tracking these items may be implemented by the County Manager or the Comptroller. The following is a partial list of high-risk items:
 1. Cameras
 2. Computers (laptop/desktop)
 3. Copiers
 4. Monitors (TV, Video, Computer, etc.)
 5. Printers
 6. Players, audio/video (disc or cassette)
 7. Projectors
 8. Receivers (radio, 2 way radios, etc.)
 9. Scanners
 10. Recorders audio/video
 11. Speakers
 12. Handguns, rifles, shotguns binoculars.

(b) Capital Projects:

1. **Land:** All land, regardless of value will be added to the County Capital Asset System. The land and ancillary costs including rights-of-way and easements should be charged to general ledger expense account as designated by the County Comptroller.
 - i. Ancillary costs include such items as:
 - ii. Legal and title fees,
 - iii. Surveying fees, appraisals and negotiation fees,
 - iv. Site preparation costs and costs related to demolition.
 2. **Buildings:** All buildings and ancillary costs should be charged to general ledger expense account as designated by the Comptroller. Additions and modifications to buildings (e.g., a new heating and ventilating system) and other permanently attached fixtures should be included when the costs are \$3,000 or more and extend the useful life of the asset.
 3. **Infrastructure:** All infrastructure and ancillary costs should be charged to general ledger expense account as designated by the Comptroller. Examples of these assets include: drainage, water & sewer systems, bridges, roads, sidewalks, parking lots, landscaping, playgrounds and fences having a cost of \$3,000 or more.
 4. **Additions or Improvements:** Capitalize the acquisition cost of a capital asset, which adds to or improves another capital asset when the cost is \$3,000 or more. Additions and improvement costs are different from maintenance. Additions increase the physical size or operating capabilities of an asset. Improvements add to the useful life of an asset. Both additions and improvements add future benefits. Maintenance costs are incurred to keep the asset in normal operating condition. Ancillary costs for Buildings, Infrastructure and Additions or Improvements include:
 - i. Professional fees of architects, engineers, attorneys, appraisers, financial advisors, etc.
 - ii. Interest and related costs incurred during construction.
 - iii. Any other costs necessary to place a building or structure into its intended state of operation
- (2) **Tagging Assets:** The primary purpose of tagging is to maintain identification of assets, aid in the periodic inventory and identify the physical location of the asset. Each capital asset is assigned a property number. The comptroller's office must be responsible for issuing or authorizing official property tag numbers to each department. The "property number tag" is to be affixed to each asset by the department as appropriate. For assets that are not easily "tagged", for example,

buildings and sewer lines, the property tag should be permanently affixed to a copy of the Capital/Fixed Asset Form and retained by the Comptroller. The Comptroller must maintain a corresponding list and deliver to each department at least once every 2 years an inventory of all equipment and other personal property assigned to that department.

- (3) **Physical Location Changes and Transfers of Assets:** The Capital Asset System tracks items by location and it is essential that transfers of items and physical location changes be recorded. Prior to a location change or transfer of property, a Capital/Fixed Asset Form must be completed. The department transferring an asset will initiate and sign the Capital Asset Form and then forward it to the receiving department for signature approval. After completion the form should be sent to the comptroller's office for input into the Capital Asset System.
- (4) **Capital Asset Disposals/Retirements:** Capital assets should only be considered for disposal or retirement when they are no longer needed by the County or the asset becomes broken, non-repairable, hazardous or obsolete. It is the department head's responsibility to determine which of the following methods is the most advantageous to dispose of County property.

(a) **Acceptable Methods for Disposal or Retirement of Property:**

1. **Immediate destruction:** Assets deemed either broken, hazardous or having the potential for inappropriate use should be promptly and safely destroyed or discarded. If the product has no marketable value, the product can be discarded in the most expeditious manner.
2. **Donation:** Assets may be donated to a nonprofit organization created for religious, charitable or educational purposes or to another governmental entity, to be used for any purpose that will provide a substantial benefit to the inhabitants of Storey County. The Board of County Commissioners must pass a resolution for each donation or a resolution delegating the authority to make donations in the name of the County in accordance with Nevada Revised Statute.
3. **Sale:** The governing body or its authorized representative may sell any such personal property at public auction if it determines that the property is no longer required for public use and deems such a sale desirable and in the best interest of the local government in accordance with Nevada Revised Statute. Following are three general methods of selling surplus property: government sale, sealed bid and auction:
 - a. **Government Sale:** The County can sell the surplus property to any other government entity in the State of Nevada in accordance with Nevada Revised Statute.

- b. **Sealed Bid:** The department can prepare a bid, advertise and award the sale to the highest bidder. See purchasing policy for procedures.
- c. **Surplus Auction:** Two auction procedures are available to the County.
 - 1. The State of Nevada conducts two auctions per year, in the spring and fall, in Reno. To submit property for the State of Nevada surplus auction contact the Comptroller for further instructions. The department head must complete a Capital/Fixed Asset Form documenting the reason for removal of the asset from the capital asset inventory.
 - 2. Storey County departments may conduct surplus auction or contract with an independent third party Auctioneer and/or Auction Company.
 - i. For sending items to a surplus sale or auction that are no longer on the inventory (less than the \$3,000 threshold), you must provide the Comptroller or his/her designee with a listing of the items noting your fund & department to receive credit from the sale.
 - ii. For any capital assets on the inventory being sent to surplus, the department head or elected official will submit a Capital/Fixed Asset Form to the comptroller's office indicating the location change to surplus, and documenting the reason for retirement. The capital asset record is corrected to indicate the location of the asset has changed. This will assist in ensuring the proper department receives the proceeds from the surplus sale.
- 4. **Missing/Lost Capital Assets:** If any capital assets are determined to be missing or lost, the department must conduct a thorough search of the premises for the missing item. When assets are missing and there is no suspicion of theft, a Capital/Fixed Asset Form must be completed. The department head must sign the form and send it to the comptroller's office within five (5) days of the discovery. The reason for the deletion must be clearly detailed on the form.
- 5. **Theft of Capital Assets:** If any capital assets are suspected as stolen, the department must conduct a thorough search for the missing items including interviews of applicable personnel. The sheriff's office must be notified if theft is involved and they are required to complete an incident report. A Capital/Fixed Asset Form must be completed and signed by the department head, then forwarded to the comptroller's office within five (5) days of the discovery.
- 6. **Deletion of Capital Assets:** The County Manager or his/her designee must approve all deletions of capital assets. A completed

Capital/Fixed Asset Form specifying the reason for deletion must be sent to the comptroller's office with all documentation. The comptroller's office will obtain the required approval for all deletions within the fiscal year.

7. **The Storey County Sheriff's Office** is authorized by the State of Nevada to dispose of confiscated weapons or vehicles to include: retention for the departmental use, sale at public auction or trade to the highest bidder in accordance with Nevada Revised Statutes.
8. **Depreciation of Capital Assets:** Depreciation is an operational expense that results from the use of capital assets over the estimated 'useful life' of the asset. Storey County uses the straight-line method of depreciation, which assumes that the asset provides constant benefits, so the cost is spread in equal amounts over its useful life. Beginning July 1, 2002 all capital assets held by the County are subject to depreciation.

(5).INVENTORY:

1. **Annual Physical Inventory:** An annual physical inventory is done to maintain an accurate record of County assets and to comply with County Policy, Nevada Revised Statutes and Nevada Administrative Code. Each department head is responsible for ensuring that capital asset records are up-to-date. The procedure for physical inventory is as follows:
 - (a) The annual physical inventory list will be sent to each department during the month of November by the comptroller's office. This inventory includes the department assets as of June 30th the previous year minus assets sold at the surplus sale conducted in September of the current year.
 - (b) Upon receipt of the printouts, inventory should be updated and verified as follows:
 - (c) Where applicable, physically verify the capital asset tag numbers to the inventory on the printouts.
 - (d) Validate whether the asset is still in use and is in a usable state. (Should it be considered for retirement?).
 - (e) Correct descriptions, if needed, on the inventory sheets.
 - (f) Complete a Capital Asset Form for any adds, transfers or retirements not recorded on the printout.
 - (g) A copy of the 'inventoried' printout along with any Capital Asset Forms should be signed and dated by the department head and returned within the sixty (60) days to the comptroller's office.
- 2 **Perpetual Inventory:** To ease the burden of the annual physical inventory of capital assets, a perpetual inventory (updated continuously) should be maintained by each department. The comptroller's office should be notified

promptly whenever an item is transferred, lost, stolen, or missing its tag, or whenever an adjustment to a department inventory is needed. If this practice is continuously implemented, the annual physical inventory will be a routine matter and the Capital Asset System more accurate.

- 3 Additional Physical Inventory:** A department may request a current copy of their inventory at any time. Situations exist whereby an additional physical inventory should be conducted, for example: immediately following a burglary.
- 4 Routine Audit:** The comptroller's office has the authority to audit capital asset records at any time. Departments 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, the Comptroller and the County Manager as deemed necessary by the comptroller's office.

(C) FORMS: Capital Asset Form: Appendix A - Use this form for all capital asset transactions.

RESPONSIBILITY FOR POLICY REVIEW: The comptroller's office will be responsible for reviewing and updating the policy at least every five years.