



**RESOLUTION NO. 2022-50**  
**OF THE BOARD OF DIRECTORS OF THE NEVADA IRRIGATION DISTRICT**

**ESTABLISHING ADMINISTRATIVE POLICY –  
Capital Asset Policy**

**WHEREAS**, the Nevada Irrigation District (the “District) intends to establish and revise, from time to time, administrative policies to guide the operations and management of the District; and

**WHEREAS**, the District has a fiduciary responsibility to establish systems and procedures that accurately account for its capital assets, and;

**WHEREAS**, capitalization of assets directly impacts the District’s fund balances

**WHEREAS**, creation of a Capital Asset Policy helps to ensure the accurate reporting and control of the District’s capital assets.

**NOW, THEREFORE, BE IT RESOLVED**, the Board of Directors of the Nevada Irrigation District hereby adopts the following policy as attached and shall be incorporated herein:

#11090 – Capital Asset Policy

**BE IT FURTHER RESOLVED**, that the attached policy shall be incorporated into the District Policy Manual, and the Board Secretary is hereby authorized to assign and revise policy numbers and format and reformat the attached, as needed for an organized, comprehensive policy manual.

\* \* \* \* \*

**PASSED AND ADOPTED** by the Board of Directors of the Nevada Irrigation District at a regular meeting held on the 28<sup>th</sup> day of September 2022, by the following vote:

**AYES:** Directors: Heck, Peters, Johansen, Hull, Bierwagen  
**NOES:** Directors: None  
**ABSENT:** Directors: None  
**ABSTAINS:** Directors: None

  
\_\_\_\_\_  
President of the Board of Directors

**Attest:**

  
\_\_\_\_\_  
Secretary to the Board of Directors

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# Nevada Irrigation District

## POLICY MANUAL

**POLICY TITLE:** Capital Asset Policy

**POLICY NUMBER:** 11090

### 11090.1 Purpose

The purpose of this policy is to ensure the accurate reporting and control of the District's capital assets. The District has a fiduciary responsibility to establish systems and procedures that accurately account for its capital assets.

### 11090.2 Administrator

The Finance Department is responsible for the implementation and administration of this policy.

### 11090.3 Definitions

Capitalization is an accounting method used to recognize the accumulation of a single completed (placed in service) expenditure on the balance sheet as a capital asset. The consumption of the capital asset requires expensing or depreciating against the appropriate reporting period consistent with fundamental Generally Accepted Accounting Principles (GAAP). Governments can choose to determine expenditure threshold amounts for their capital assets. The Governmental Accounting Standards Board (GASB) is the organization given authority to define accounting and reporting standards for State and Local Governments. GASB has defined proper accounting for these assets in GASB Statements 34, 42 & 51.

Capital Assets are tangible or intangible assets of significant value procured by the District or contributed to the District that are acquired for use in operations (and not for resale) with an original cost of greater than or equal to the District's capitalization threshold (Section 11090.4) and with an expected useful life of at least five years. Examples of capital assets are;

- Moveable property (furniture & fixtures, machinery, equipment, automobiles, etc.)
- Land and land improvements
- Buildings, building improvements, leasehold improvements
- Infrastructure and Improvements
- Historical treasures & works of art, rights, licenses
- Other tangible or intangible assets having an initial useful life of at least five years

Capital Outlay or Capital Expenditures refers to expenditures for the acquisition, construction, upgrade or repair of capital assets that materially increase their value or useful life.

Capital Projects are expenditures related to the acquisition or construction of a capital asset. A capital project may be a new construction, expansion, renovation or replacement project for an existing facility or facilities. Project costs can include land, engineering, architectural planning and contract services needed to complete the project. Capital projects are capitalized if they create a new asset for the system, if the project significantly increases the functionality of the system or a component of the system or if the project extends

the useful life of an asset beyond what was originally established as the estimated useful life for that asset by at least one fiscal year. Capital projects are capitalized as “construction in progress” until completed. Costs are reclassified from construction in progress to assets on the date the project is accepted as complete by the Board of Directors. Direct costs, ancillary costs and construction period interest costs are included in the capitalized amount.

*Special Capital Projects* are projects that are not related to the acquisition or construction of a capital asset but are shown in the capital program for transparency purposes. Special Capital Projects are typically related to maintenance of an existing asset and such maintenance preserves the asset’s original projected life cycle. Special projects can also be environmental restoration projects. Special Capital Projects will not be capitalized.

Construction in Progress is defined by the District as any asset under construction or development, with current activity, that has not been completed and put into use.

Improvements are defined as those expenditures that extend the life of an asset or improve the assets capacity or efficiency and will be capitalized when meeting the thresholds identified in Section 11090.4. GASB defines improvements as any of the following costs:

- “Preservation” - those expenditures that extend the life of an asset beyond its’ original estimated life, but do not increase the capacity or efficiency of the asset.
- “Capacity” - those expenditures that result in an increase in the level of capacity of an asset. For example, widening a four lane highway to five lanes or increasing the amount of water a plant can treat.
- Efficiency” - those expenditures that maintain the same level of service, but at a lower cost. For example, an electric generating plant could be re-engineered so that it produces the same megawatts per day using less fuel.

Infrastructure Assets are assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets are land, dams, reservoirs, waterways, roads, bridges, pipelines, buildings, water supply, drainage, treatment and electric plants and flood management systems. District owned land is recorded at historical cost and remains at that cost until disposed of. Land is not subject to depreciation.

Intangible Assets are defined by GASB Statement No. 51 as assets that lack physical substance, are nonfinancial in nature and have a useful life that extends beyond a single reporting period (one year). Examples of intangible assets are land-use rights such as easements, right-of-ways and water rights that provide specific benefits to the property upon which the right applies and computer software and website design that is purchased or internally generated.

Repair and Maintenance costs include activities that are typically performed on a regular recurring basis to keep District assets in their normal operating condition during their originally established useful life. Repair and maintenance costs to existing capital assets are generally not subject to capitalization unless the cost exceeds the capitalization threshold and results in an extension of the useful life of the capital asset by at least one year. Repair and maintenance costs are recorded in the District’s financial system as an operating expense in the year the cost is incurred. Examples of repair and maintenance costs include repainting, repaving, and parts replacement. Repair and maintenance costs differ from capital outlay and capital project costs in that repair and maintenance activities generally do not increase the value or useful life of a capital asset.

Tangible Assets are assets that have a physical form.

Useful Life is the amount of time that an asset is intended to provide benefit to the District. The useful life is also (with the exception of intangible assets) the period of time over which the asset will be depreciated.

#### 11090.4 Capitalization Policy

It is the policy of the District that capital assets be properly accounted for, secured and used for appropriate District purposes. All costs associated with the purchase or construction of a capital asset should be considered. The following table presents how the District will categorize its capital assets, the expenditure threshold for that category and the estimated useful life or number of financial reporting periods to record the depreciation expense for the asset.

Capital Asset Category	Capitalization Threshold*	Useful Life
Equipment, Tools, Furniture	\$35,000	5-7 years
Vehicles	\$35,000	5 years
Intangible Assets	\$35,000	N/A
Land	No minimum	N/A
Buildings & Structures	\$35,000	40 years
Infrastructure Assets	\$150,000 or >10% of total value	50 or more years

\*The District will consider federal capitalization threshold requirements for capital assets funded with federal awards.

The capitalization threshold is applied to individual units of capital assets. Repairs to existing capital assets that do not extend the useful life of the asset are not capitalized. Improvements to capital assets (which by definition extend the useful life of the capital asset) and which meet the capitalization thresholds identified above will be subject to capitalization. Additions to existing infrastructure assets are only capitalized if the value of the addition exceeds 10 percent of the infrastructure asset value or exceeds \$150,000 in value.

#### 11090.5 Capital Asset Inventory Control

The District is responsible for safeguarding its fixed assets from theft or loss. District management has responsibility for establishing and maintaining systems and procedures for the proper safeguarding of the District's capital assets. A physical inventory of assets shall be completed bi-annually.

#### 11090.6 Depreciation of Capital Assets

The District has chosen to utilize the straight-line depreciation method (historical cost less estimated residual value, divided by useful life). Depreciation is calculated on an annual basis and begins when an asset is purchased or completed. During the first and last year, depreciation is recorded based on the number of months that the asset was in service. Land and construction work in progress are not subject to depreciation.

#### 11090.7 Disposal of Capital Assets

Capital assets will not be transferred, turned-in or disposed of without prior written approval per the requirements of the District's procurement policy and any applicable laws or regulations.

Any project recorded as construction in progress that has been inactive for 24 months shall be removed from the District's construction in progress assets and expensed. Exceptions include projects that are only temporarily delayed due to pending approval of in progress permit applications, in progress financing agreements, in progress real estate negotiations, supply chain delays, or other in progress activity.

**11090.8 Policy Adoption and Review**

This policy will be adopted by resolution of the Board of Directors. The policy will be reviewed at least every five years with any modifications approved by the Board of Directors.

Adopted: September 28, 2022 via Resolution No. 2022-50