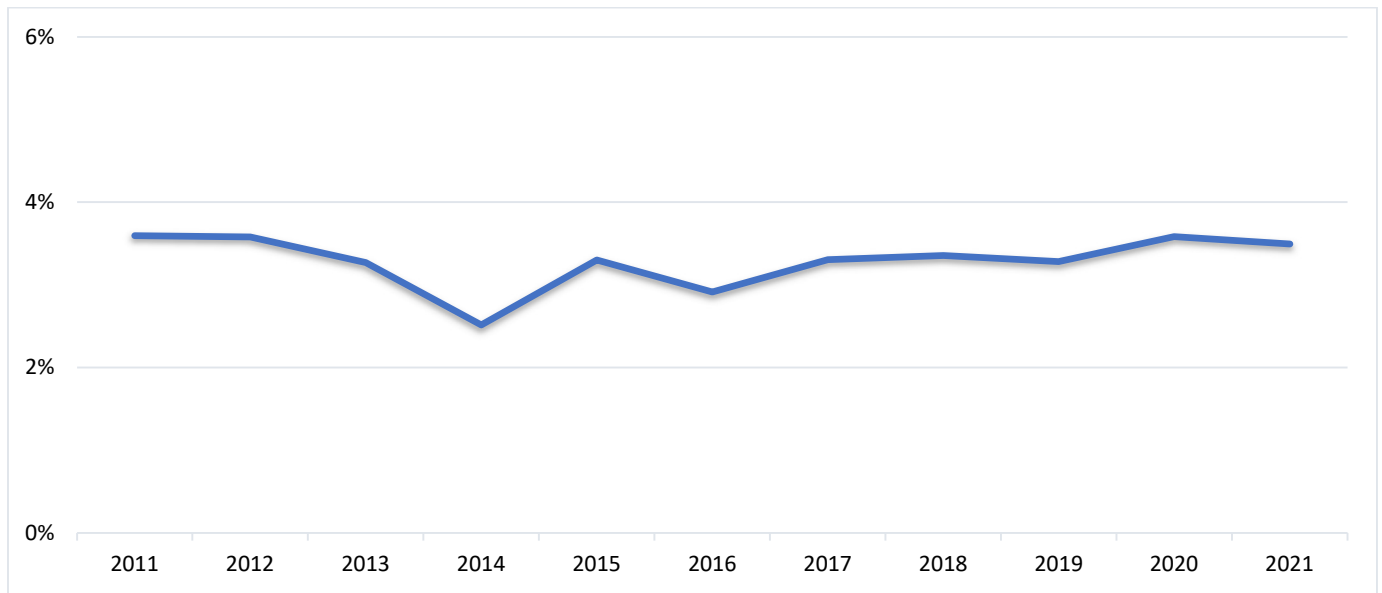


CONDITION OF CAPITAL PLANT INDICATORS

LEVEL OF CAPITAL OUTLAY

(As a % of Net Operating Revenues)



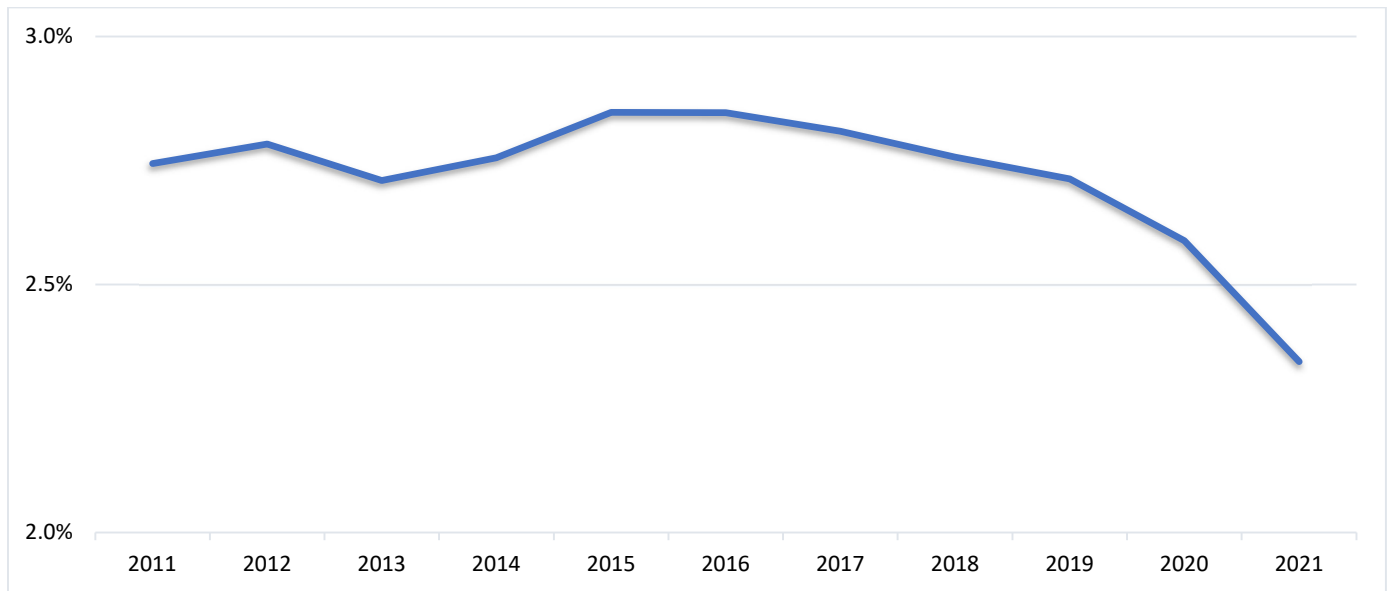
Capital outlay includes expenditures for equipment in the operating budget, such as vehicles or computers. It normally includes equipment that will last longer than one year. Capital outlay does not include capital improvement expenditures for construction of capital facilities such as streets, buildings, fire stations, or schools.

The purpose of capital outlay in the operating budget is to replace worn equipment or add new equipment. The level of capital outlay is a rough indicator of the status of equipment and determine if it is being maintained in good condition. A declining trend in the short run of one to three years may not be concern for alarm as it could mean that a locality's needs have temporarily been satisfied. If the decline persists over three or more years, it can be an indication that capital outlay needs are being deferred, resulting in the use of obsolete and inefficient equipment, increased infrastructure costs, and the creation of future unfunded liabilities.

The overall trend for the level of capital outlay is relatively flat for the 11-year timeline depicted. **FY21 levels decreased slightly from 3.6% to 3.5%.** As technology usage remains high across departments and efficiencies developed in response to COVID-19 become continuous operating fixtures, it is anticipated that capital outlay will remain consistent in future fiscal years.

DEPRECIATION

(As a % of Assets)



Depreciation is the mechanism by which a cost is associated with the use of a fixed asset over its estimated useful life. Depreciation is recorded only in the Enterprise and Internal Service Funds. Total depreciation expense typically remains at a relatively stable proportion of the cost of the entity's fixed assets, as older assets, which are fully depreciated, are usually removed from service and newer assets take their place. If depreciation expenses start to decline as a proportion of the fixed asset cost, the assets on hand are likely being used beyond their estimated useful life.

Depreciation as a percent of assets saw a sharp decline in FY21 down to 2.3% from 2.6% in FY20. Depreciation expenses fell 8.4% from their FY20 value despite relatively stable increases in depreciable fixed assets. This disparity resulted in the observed drop. **A decrease in depreciation is a cause for concern if it is a reoccurring trend in subsequent fiscal years.** FY20 saw the full depreciation of many County assets and are scheduled for replacement in the near future. This metric may be modified in future years to reflect accumulated depreciation as a percentage of total assets.