

1 **Northern New Mexico College**

2 **Administrative Policy**

3 **7710 - Property Management and Control Policy (Capital**
4 **Assets, Disposal of Property and Depreciative Life)**

5 Authorized by: NNMC Board of Regents
6 Process Owners: Vice-President for Finance and Administration

7 **1. General**

8 The Northern New Mexico College may acquire, maintain, protect, use, and dispose of property
9 required to perform its mission. College property and resources may be used only for College
10 business. Property may be moveable or fixed. Fixed property may also be referred to as real estate
11 and includes buildings, land and improvements. For the purposes of this policy, leasehold
12 improvements will be treated as moveable, fencing as fixed. Moveable property is defined as
13 capital or non-capital. Capital property (capital asset) is determined as currently existing with that
14 classification or for new acquisitions, that for which: 1) The cost is greater than \$5,000, 2) the
15 property has a useful life of more than one (1) year. Moveable property costing more than \$5,000
16 includes vehicles and heavy equipment or furniture, fixtures, or computer equipment and is
17 capitalized on NNMC's financial statements and is depreciated. Questions regarding classification
18 of assets or capitalization should be addressed to the Director of Financial Services or his/her
19 delegate.

20 College property must be managed according to College policy and applicable state and federal
21 law, including the following:

- 22 • State of New Mexico Law Section 12-6-10
23 • State of New Mexico Law Section 13-6-1 and 13-6-2
24 • Office of Management and Budget (OMB Circulars for Property Purchased with Grant
25 Funding)

26 College property includes all:

- 27 • Equipment purchased by College departments, regardless of the source of funds, used to
28 purchase the equipment;
29 • U. S. Government-owned equipment used by College departments;
30 • Components and material used to make equipment, whether furnished to, acquired by, or
31 fabricated by the College;
32 • Property donated to the College; and
33 • Property loaned or leased to the College by outside organizations.

1 College property is in the custody of the department who purchased or is using the property. The
2 department is responsible for the management and control of the property assigned to it. The dean,
3 director, department head, or the principal investigator for government-sponsored projects, is
4 responsible for:

- 5 • initiating requests to acquire property or use restricted or government excess property;
- 6 • the proper use, maintenance, and security of assigned property;
- 7 • maintaining inventory records on all property in custody of the department; reporting any
8 shortage, damage, loss, or theft of property; and
- 9 • Disposing of College property according to College policies and procedures.

10 **2. Acquiring Property**

11 **2.1. Purchases**

12 All purchases of equipment are made according to College policies, the Higher Education
13 Department (HED) regulations, the State of New Mexico Procurement Code and applicable
14 Federal Regulations.

15 **2.1.1. Purchases Using Federal Funds**

16 All purchases involving federal funds must comply with the guidelines of the individual contract
17 or grant, and be approved by the **College's Grant Accounting Department**. The purchase of
18 equipment must be necessary, in accordance with the terms of the contract or grant, and comply
19 with U.S. Government regulations. The principal investigator must complete all required
20 government forms.

21 **2.1.1.1. Avoid Duplicate Purchases**

22 The College must avoid purchasing duplicate items. If it will not interfere with a project, users
23 should make property acquired for use on a project available to other projects.

- 24 • First preference for other use shall be given to other projects sponsored by the federal
25 agency that financed the property.
- 26 • Second preference shall be given to projects sponsored by other federal agencies.
- 27 • Use on other projects not sponsored by federal funds is permissible if authorized by the
28 federal agency.

29 **2.2. Gifts of Property**

30 All gifts of moveable property to the College must be useful in the educational function of the
31 department. The written approval for the acceptance of the gift must be obtained from the
32 cognizant chair and dean on the Check List for Donations of Equipment Form. Receiving units
33 must report all property valued over \$5000 to the Director of Financial Services or his/her delegate
34 by providing a copy of the **Check List for Donations of Equipment Form**. This property is then
35 added to the College Property Inventory as ~~described in Section 4.3 herein.~~

1 **2.3. Property Loaned to the College**

2 External organizations and agencies sometimes lend property to the College. Loaned property
3 may include such diverse items as a fine arts collection or a piece of equipment.

4 **2.3.1. Record Keeping and Insurance**

5 Any property on loan to the College must be immediately reported to the Director of Financial
6 Services or his/her delegate, for insurance purposes. The loaned property is added to the College
7 inventory records and is included in the annual physical inventory. When the property is returned
8 to the lending organization, the department must notify the Director of Financial Services or his/her
9 delegate and supply them with documentation that the returned equipment was received by the
10 lending agency (i.e. copy of the receipt of goods).

11 **2.3.2. Use, Maintenance, and Security**

12 Property on loan to the College will be returned in the same condition in which it was received.
13 While property is on loan to the College, the department that has custody of the property is
14 responsible for its use, maintenance, and security.

15 **2.4. Hazardous Materials**

16 If hazardous or dangerous materials are needed in the course of conducting research, contact the
17 College Facilities and Security Departments before acquisition.

18 **3. Use, Maintenance, and Security of Property**

19 College departments who have custody of College property are responsible for its proper use,
20 maintenance, and security.

21 **3.1. Use of Property**

22 Normally all property should be used for the purpose originally intended. However, a piece of
23 equipment acquired for use on a federally sponsored project may sometimes be used elsewhere
24 within the College after the project ends. The terms of the contract or grant must be complied with.

25 **3.1.1. Government Owned Property**

26 Any government property with an acquisition value of \$5,000 or more must be monitored for a
27 minimum level of use as required by **OMB Circular A-110** If the equipment is no longer being
28 used, the department must contact the Grants Manager.

29 **3.2. Maintenance of Property**

1 Departments must take care of and properly maintain property to ensure the longest useful life
2 possible. All items should be maintained according to manufacturers' recommendations or
3 accepted standards. Follow suggested schedules of lubrication, cleaning, calibration, and
4 inspection. If preventive maintenance is not required, the property should be maintained in a clean
5 and orderly manner.

6 **3.3. Location and Security of Property**

7 The location of each item of property is included in the College inventory records. Current location
8 records must be maintained so that any item can be located for inspection or inventory purposes
9 within a reasonable time. When property is temporarily idle or placed in storage, the department
10 must provide adequate protection from damage or loss. Property must be protected when moved.

11 Departments should make adequate provisions for the physical security of the property in their
12 custody. Areas containing equipment should be locked after business hours or at other times when
13 not in use. Special precautions should be taken for high-value, portable items.

14 **3.3.1. Theft of Property**

15 Departments must immediately report the theft of any inventoried equipment to the NNMC
16 Security Officer who must report to the City of Espanola Police Department (along with the serial
17 numbers and NNMC tag numbers), the Director of Financial Services or his/her delegate and the
18 Loss Prevention Committee Chairman. Unexplained disappearances and losses must be reported
19 to the Director of Financial Services or his/her delegate as soon as possible following the discovery
20 of the loss.

21 **3.3.2. Transfers of Property**

22 If NNMC property that is to be transferred to another department or marked for
23 disposal, the transferring department must complete the Inventory Tracking Form
24 located at <http://nnmc.edu/home/facultystaff-gateway/it/inventory-tracking-app/>

25 For NNMC property that is to be checked out for off-site use, the loaning department
26 must complete the Laptop Check Out Form located at [http://nnmc.edu/laptop-check-out-](http://nnmc.edu/laptop-check-out-form)
27 [form.](http://nnmc.edu/laptop-check-out-form)

28 **4. Inventory Control and Reporting**

29 The Director of Financial Services or his/her delegate is responsible for overseeing the
30 disposition of all moveable property (equipment and moveable computers) assigned to College
31 departments. The Shipping/Receiving staff in the Business Office will affix property tags to each
32 piece of assigned moveable property. Departments are also required to observe and verify the
33 annual inventory of their property as well as maintaining accurate records on all
34 property. Questions regarding inventory, tagging processes, account codes, disposals, ownership

1 titles, equipment checkouts, donations, etc. should be directed to the Director of Financial Services
2 or his/her delegate.

3 **4.1. College Equipment Inventory**

4 The Director of Financial Services or his/her delegate, maintains the College Inventory System, a
5 database containing information on each item of property valued over \$5000 as well as sensitive
6 items. The following information is maintained on the inventory database for each item of
7 equipment:

- 8 • NNMC identification number (per property tag)
- 9 • name or description of item
- 10 • manufacturer, model number, and serial number
- 11 • whether the item functions on a stand-alone basis or is a component of a related or
12 other asset
- 13 • department name and department head (considered the custodian)
- 14 • acquisition date and acquisition source information (PO number)
- 15 • acquisition cost and depreciable cost
- 16 • funding source (by accounting code structure)
- 17 • source of acquisition
- 18 • condition, transfer and disposition record

19 **4.2. Physical Inventories**

20 New Mexico State Law Section 12-6-10 NMSA requires the College of New Mexico to conduct a
21 physical inventory of all property valued over \$5000 annually. The annual physical inventory also
22 provides departments with an accurate inventory of property assigned to the department.

23 4.2.1. Each year, the Director of Financial Services or his/her delegate, distributes to departments
24 a listing of the department's property, as currently reflected on the College inventory. Instructions,
25 a form for identifying federal property on loan to the College, and a Certification Statement are
26 also distributed. The Asset Adjustment form and others are also provided online at
27 www.nnmc.edu.

28 4.2.2. Department administrators (custodians) are responsible for observing the physical inventory
29 as well as to certify their agreement with the inventory performed. . The department should retain
30 copies of inventory documents.

31

32 **4.2.1. Physical Inventory of College Art and Library Collections**

33 The units maintaining the College's art and library collections have established appropriate internal
34 procedures for inventorying and documenting their holdings, and are exempt from the College's
35 annual physical inventory requirement. However, the units maintaining the art and library

1 collections should notify the Director of Financial Services or his/her delegate, of additions and
2 deletions to the collections as part of the College's annual inventory process.

3 4.2.2. The Director of Financial Services or his/her delegate, uses the certified inventories to make
4 adjustments and corrections to the inventory.

5 **4.3. Adjustments to Inventory**

6 Changes in a department's inventory should be reported to the Director of Financial Services or
7 his/her delegate as they occur throughout the year. The **Asset Adjustment form** or the **Request**
8 **for Disposal of Surplus Property form** is used to report additions to or deletions from the
9 department's inventory. The **Asset Adjustment** form may also be used to request that property be
10 tagged

11 **5. Disposition of Property**

12 When an item of property is no longer useful to a department, it may be transferred to another
13 College department, traded in on new equipment, or disposed of through the College Surplus
14 Property Department. The department that is transferring, trading in, or disposing of the property
15 is responsible for completing an **Asset Adjustment** form or the **Request for Disposal of Surplus**
16 **Property** form and submitting it to the appropriate office.

17 **5.1. Interdepartmental Transfer of Property**

18 When equipment is transferred between College departments, no change is made in the recorded
19 value of the equipment. The department transferring the equipment must report the transfer to the
20 Director of Financial Services or his/her delegate, on an **Asset Adjustment** form.

21 **5.2. Transfer of Assets to Another Institution**

22 Equipment purchased with funds from grants and contracts administered by the College legally
23 belong to the College. If a principal investigator transfers to another institution, in general, research
24 grants will transfer with the principal investigator. However grants and contracts for public service
25 or training projects will usually remain at the College. Guidelines within the grant or contract will
26 specify the procedure to follow if the assets are to transfer with the grant. Any equipment not
27 officially transferred with the grant remains with the College.

28 **5.3. Trading In Property**

29 If a department wishes to trade in an item of property on the purchase of a new item, the department
30 should contact the College Business Office (Purchasing) for approval and proper handling. The
31 Purchase Requisition should identify the item to be traded in, including a full description,
32 manufacturer, serial number, and College identification number (per property tag). The department
33 trading in the property must send a **Request for Deletion of Assets** form to the Director of
34 Financial Services or his/her delegate,

1 **5.4. Cannibalization of Equipment**

2 When an item can no longer be used for the purpose for which it was acquired or cannot be
3 economically repaired and its components or parts are usable in a like item of equipment it may
4 be desirable and advantageous to cannibalize (dismantle) an item of property. After
5 cannibalization, the inventory control tag must be turned in to the Director of Financial Services
6 or his/her delegate, with a completed **Request for Deletion of Assets** form. Components that are
7 not used should be sent to the Surplus Property Department.

8 **5.5 Government Property**

9 If the government equipment is no longer being used, the department must contact the Director of
10 Financial Services or his/her delegate.

11 **5.6. Disposal of Surplus or Obsolete Property**

12 Property to be disposed of (not traded in on new equipment or transferred to another College
13 department) must be sent to the Surplus Property Department. A department that has property that
14 is not being used should contact the Surplus Property Department. The department should
15 complete and submit the **Request for Disposal of Surplus Property** form. For more information
16 refer to NNMC Disposal of Property Policy.

17 **6. Depreciation**

18 Depreciation represents the portion of a capital asset that is deemed to have been consumed or
19 expired in the current year and that can be deducted as an expense. Depreciation is applicable
20 for fixed as well as moveable property.

21
22 6.1 Depreciable and Non-Depreciable Fixed Assets

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24 Land, certain land improvements, construction-in-process, and inexhaustible works of art,
25 historical treasures and similar assets are not depreciated. Land is considered to have an
26 unlimited useful life and its salvage value is unlikely to be less than its acquisition cost. Certain
27 land improvements may be considered to have an unlimited useful life and therefore not be
28 depreciated. An example of a non-depreciable land improvement would include the movement
29 or grading of dirt to prepare the land for items intended use. A non-depreciable land
30 improvement should have permanent benefits.

31
32 Land improvements and infrastructure may or may not be depreciable. If both types of assets
33 exist or are anticipated, for example bridges and parking lots, it is recommended that the
34 accounting structure be set up to capture the information differently. If both types exist or are
35 anticipated to exist and one is considered immaterial, it is acceptable to combine them only if
36 the one that is considered immaterial is not expected to become material at a later date.

37

1 6.2 Class Lives

2
3 The expected useful life is based on the class rather than the individual asset. The life of the
4 class of assets is intended to be the average for all the items included within the class.
5 Therefore, while one specific piece of equipment may have a useful life of 3 years and another
6 may have a useful life of 12 years, if the chosen class life for equipment is 5 years, then the
7 life used for depreciation is 5 years for both assets. The theory behind this is that the number
8 of lives for the specific pieces of equipment is considerably varied and the extra specificity
9 generally does not create a materially different result than a class life.

Classification	Class Life
Depreciable infrastructure	25
Buildings	40
Building additions and renovations	40
Machinery and Equipment	5
Computers and Electronic Equipment	5
Software	5
Automobiles and Heavy Equipment	5
Library Books	10

12
13
14 **6.3 Accounting Guidance**

15
16 **6.3.1 Capital Asset Fund**

17
18 Asset acquisitions are recorded in the acquiring fund for budgetary and use of funds purposes.
19 The assets and the related depreciation are recorded in the capital asset fund (9670). **6.3.2**
20 **Calculation**

21
22 Straight line depreciation is calculated by dividing total asset cost by estimate useful in years.
23 Total asset cost includes purchase price or cost of construction plus any other charges incurred
24 to place the asset in its intended location and condition. Donated assets are valued at their fair
25 market value at date of acquisition. The estimate useful life of a capital is the period over
26 which services are expected to be rendered by the asset. The half-year convention records a
27 half-year of depreciation in the year of acquisition regardless of the actual date the asset was
28 acquired. No estimates for salvage value are used.

29
30 **6.3.3 Changes**

31 The general rule is that careful estimates of useful lives that later prove to be incorrect based on
32 new information should be considered changes in estimates. Changes in estimates must be handled
33 prospectively (i.e., restatement of prior years is prohibited). However, estimates of useful lives
34 that are computed incorrectly because of lack of historical useful like experience or failure to use

1 available information should be considered accounting errors. Corrections of errors must be
2 treated as prior period adjustments (i.e., restatements). Neither changes in estimates nor
3 corrections of errors that are immaterial need to be separately stated.

4 **6.3.4 Fully depreciated capital assets**

5 Depreciation is intended to allocate the cost of a capital asset over its entire useful life. Variances
6 for individual assets will exist due to the specific nature of their use (e.g., the cooling system for a
7 building with relatively low heat generation will last longer than a system in a building with a
8 higher heat generation even though the equipment itself is the same.) Fully depreciated items
9 should be reviewed annually for remaining functionality and possible requirements for allocations
10 of future resources. Assets should not be written off until they are non-functional or until disposed.
11