



Property Management and Control Policy

(Capital Assets, Disposal of Property and Depreciative Life)

Policy 7710

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1.0 Purpose

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

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

- State of New Mexico Law Section 12-6-10 NMSA 1978;
- State of New Mexico Law Section 13-6-1 and 13-6-2 NMSA 1978; and
- Federal Uniform Guidance, sections 2 CFR 200.313 Equipment and 2 CFR 200.439 Equipment and other capital expenditures (OMB guidance for property purchased with federal grant funding).

College property includes all:

- Equipment purchased by college departments, regardless of the source of funds, used to purchase the equipment;
- U. S. Government-owned equipment used by college departments;
- Components and material used to make equipment, whether furnished to, acquired by, or fabricated by the college;
- Property donated to the college; and
- Property loaned or leased to the college by outside organizations.

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

- initiating requests to acquire property or use restricted or government excess property;
- the proper use, maintenance, and security of assigned property;
- maintaining inventory records on all property in custody of the department; reporting any shortage, damage, loss, or theft of property; and
- disposing of college property according to college policies and procedures.

2.0 Acquiring Property

All property, which is defined as moveable and non-movable chattel, shall be acquired following the College's procurement policies. This applies only to items purchased; reference Section 2.2 for donated property and gifts.

2.1 Purchases

All purchases of equipment are made according to the College's policies, the Higher Education Department (HED) regulations, the State of New Mexico Procurement Code, and applicable federal regulations.

2.1.1 Purchases Using Federal Funds

All purchases involving federal funds must comply with the guidelines of the individual contract or grant, and be approved by the College's Business Office/Grants Manager and/or Grants Accountant. The purchase of equipment must be necessary, in accordance with the terms of the contract or grant, and comply with the Federal Uniform Guidance and any other applicable sponsoring federal agency requirements. It is the responsibility of the principal investigator to complete any required government forms and comply with College procurement and inventory policies.

2.1.1.1 Avoid Duplicate Purchases

The College must avoid purchasing duplicate items. If it will not interfere with a project, users should make property acquired for use on a project available to other projects (Uniform Guidance 2 CFR 200.313). Please refer to NNMC Policy 7720 for guidance on changing use or disposal of property purchased with federal funding.

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

2.2 Gifts of Property

All gifts of property to the College must be formally received. Documentation must be received from the donor clearly listing the equipment, its current value, date of the donation, and any restrictions on the use of the donated equipment. If the property is valued over \$5,000, or deemed sensitive, a copy of the letter must be provided to the Chief Financial Officer or their designee, who will make a determine on the valuation and on whether the property will be added to the College's inventory per Section 4.3 herein.

2.3 Property Loaned to the College

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

2.3.1 Record Keeping and Insurance

Any property on loan to the College must be immediately reported to the Chief Financial Officer or their designee, for insurance purposes. Loaned property is added to the College's inventory records and included in the annual physical inventory. When the property is returned to the lending organization, the department must notify the Chief Financial Officer or their designee and supply them with documentation that the returned equipment was received by the lending agency (i.e. copy of the receipt of goods).

2.3.2 Use, Maintenance, and Security of Loaned Property

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

2.4 Hazardous Materials

If hazardous or dangerous materials are needed in the course of conducting research, contact the College Facilities Department or Security/Health and Safety Officer before acquisition.

3.0 Use, Maintenance, and Security of College Property

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

3.1 Use of Property

Property, regardless of its funding source should be used for the purpose originally intended. However, additional rules apply to property purchased with federal funds. Such property must be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the federal award. When no longer needed for the original program or project, the equipment may be used in other activities may sometimes be used elsewhere within the College after the project ends following the guidelines presented in Uniform Guidance sections 2 CFR 200.313 Equipment and 2 CFR 200.439 Equipment and other capital expenditures.

The Business Office/Grants Manager must approve all change of use requests for equipment purchased with federal funding and written permission from the federal funding agency may also

be required. Please submit the NNMC Inventory Control Form and contact the Business Office/Grants Manager prior to moving or changing the use of such property.

3.2 Maintenance of Property

Departments must take care of and properly maintain property to ensure the longest useful life possible. All items should be maintained according to manufacturers' recommendations or accepted standards. Follow suggested schedules of lubrication, cleaning, calibration, and inspection.

3.3 Location and Security of Property

The location of each item of property is included in the College's inventory records. Current location records must be maintained so that any item can be located for inspection or inventory purposes within a reasonable time. When property is temporarily idle or placed in storage, the department must provide adequate protection from damage or loss. Property must be protected when moved. Before computer related property is moved, the NNMC Inventory Control Form must be submitted to the Information Technology Services (ITS) so that inventory records can be updated.

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

3.3.1 Theft of Property

Departments must immediately report the theft of any inventoried equipment to the NNMC Security Officer who must report the incident to the New Mexico State Police (along with the serial numbers and NNMC tag numbers), the Chief Financial Officer or their designee, and the Loss Prevention Committee Chairperson. Unexplained disappearances and losses must be reported to the Chief Financial Officer or their designee as soon as possible following the discovery of the loss.

3.3.2 Transfers of Property

If College property is to be transferred to another department, the transferring department must complete the NNMC Inventory Control Form. The form must be submitted to the Business Office for all non-computer related equipment and to the ITS Director for computer related property, and to the Business Office/Grants Manager for all equipment purchased with federal sources.

4.0 Inventory Control and Reporting

The Chief Financial Officer or their designee is responsible for overseeing the disposition of all moveable property (equipment and moveable computers) assigned to College departments. The Shipping & Receiving staff in the Business Office will affix property tags to each piece of assigned moveable property. Departments are also required to observe and verify the annual inventory of their property, as well as maintaining accurate records on all property. Questions regarding inventory, tagging processes, account codes, disposals, ownership titles, equipment checkouts, donations, etc., should be directed to the Chief Financial Officer or their designee. If the property was purchased with federal grant funding the Business Office/Grants Manager will also need to authorize the disposal request.

4.1 College Equipment Inventory

The ITS Director, in coordination with the Chief Financial Officer or their designee, maintains the college's inventory system, a database containing information on each item of property valued over \$5,000, as well as items designated as sensitive. The following information is maintained on the inventory database for each item of equipment:

- NNMC identification number (per property tag)
- name or description of item
- manufacturer, model number, and serial number
- whether the item functions on a stand-alone basis or is a component of a related or other asset
- department name and department head (considered the custodian)
- physical location
- acquisition date and acquisition source information (PO number)
- acquisition cost and depreciable cost
- funding source (by accounting code structure)
- source of acquisition
- condition, transfer and disposition record

4.2 Physical Inventories

New Mexico State Law, 12-6-10 NMSA 1978, requires NNMC to conduct a physical inventory of all property valued over \$5,000 annually. The annual physical inventory also provides departments with an accurate inventory of property assigned to the department.

Each year, the ITS Director, in coordination with the Chief Financial Officer or their designee, distributes to departments a listing of the department's property, as currently reflected on the College's inventory. Instructions, a form for identifying federal property on loan to the College, and a Certification Statement are also distributed (as applicable). The NNMC Inventory Control Form and the Request for Deletion/Disposal of Assets & Property form can also be found online at <https://campusconnect.nnmc.edu/>.

Department administrators (custodians) and as directed by the Chief Financial Officer or their designee are responsible for observing the physical inventory, as well as certifying their agreement with the inventory performed. The department should retain copies of all inventory documents.

4.2.1 Physical Inventory of College Art and Library Collections

The units maintaining the College's art and library collections have established appropriate internal procedures for inventorying and documenting their holdings, and are exempt from the College's annual physical inventory requirement. However, the units maintaining the art and library collections should notify the Chief Financial Officer or their designee, of additions and deletions to the collections as part of the college's annual inventory process.

The Chief Financial Officer or their designee, uses the certified inventories to adjust and correction to the inventory.

4.3 Adjustments to Inventory

Changes in a department's inventory should be reported to the Chief Financial Officer or their designee as they occur throughout the year. The Request for Deletion/Disposal of Assets & Property Form should be used to report deletions from the department's inventory. The NNMCI Inventory Control Form should be used to request internal property relocations and transfers.

5.0 Disposition of Property

When an item of property is no longer useful to a department, it may be transferred to another department, traded in on new equipment, or disposed of through the College Business Office. The department that is transferring, trading in, or disposing of the property is responsible for completing a Request for Deletion/Disposal of Assets & Property Form and submitting it to the Business Office. Please refer to NNMCI Policy 7720 Disposal and Donation of Property for guidelines.

5.1 Transfer of Assets to Another Institution

Equipment purchased with funds from grants and contracts administered by the College legally belong to the school. If a principal investigator transfers to another institution, in general, research grants will transfer with the principal investigator. However, grants and contracts for public service or training projects will usually remain at the college. Guidelines within the grant or contract will specify the procedure to follow if the assets are to transfer with the grant. Any equipment not officially transferred with the grant remains with the college. The Business Office/Grants Manager and the Chief Financial Officer or their designee must approve transfers of equipment prior to physical relocation of assets.

5.2 Trading-In Property

If a department wishes to trade in an item of property on the purchase of a new item, the department should contact the Business Office (Purchasing) for approval and proper handling. The Purchase Requisition form should identify the item to be traded in, including a full description, manufacturer, serial number, and the College identification number (per property tag). The department trading in the property must send a Request for Deletion/Disposal of Assets & Property Form to the Chief Financial Officer or their designee.

5.3 Cannibalization of Equipment

When an item can no longer be used for the purpose for which it was acquired or cannot be economically repaired and its components or parts are usable in a like item of equipment, it may be desirable and advantageous to cannibalize (dismantle) an item of property. Before cannibalization, a completed Request for Deletion/Disposal of Assets & Property Form must be submitted to the Chief Financial Officer or their designee for approval. Upon approval of the cannibalization of the equipment all non-cannibalized material will be disposed of in a manner requested on the Deletion/Disposal of Assets & Property Form.

5.4 Government Property

If the government equipment is no longer being used, the department must contact the Chief Financial Officer or their designee.

5.5 Disposal of Surplus or Obsolete Property

A request for disposal of property and not traded in on new equipment or transferred to another College department, must be sent to the Chief Financial Officer or their designee. The department should complete and submit the Request for Deletion/Disposal of Assets & Property Form. For more information, refer to NNM Policy 7720 - Disposal and Donation of Property.

6.0 Depreciation

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

6.1 Depreciable and Non-Depreciable Fixed Assets

Land, certain land improvements, construction-in-process, and inexhaustible works of art, historical treasures, and similar assets are not depreciated. Land is considered to have an unlimited useful life and its salvage value is unlikely to be less than its acquisition cost. Certain land improvements may be considered to have an unlimited useful life and therefore not be depreciated. An example of a non-depreciable land improvement would include the movement or grading of dirt to prepare

the land or items intended use. A non-depreciable land improvement should have permanent benefits.

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

6.2 Class Lives

The expected useful life is based on the class rather than the individual asset. The life of the class of assets is intended to be the average for all the items included within the class. Therefore, while one specific piece of equipment may have a useful life of three (3) years and another may have a useful life of 12 years, if the chosen class life for equipment is five (5) years, then the life used for depreciation is five (5) years for both assets. The theory behind this is that the number of lives for the specific pieces of equipment is considerably varied and the extra specificity 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

6.3 Accounting Guidance

The Business Office will direct and provide the appropriate guidance on the classification of items to be considered as capital and non-capital purchases, construction projects and inventory and non-inventory items in accordance with policies and regulatory requirements.

6.3.1 Capital Asset Fund

Asset acquisitions are recorded in the acquiring fund for budgetary and use of funds purposes. The assets and the related depreciation are recorded in the capital asset fund (7700).

6.3.2 Calculation

Straight line depreciation is calculated by dividing total asset cost by estimate useful in years. Total asset cost includes purchase price or cost of construction plus any other charges incurred to place the asset in its intended location and condition. Donated assets are valued at their fair market value at date of acquisition. The estimate useful life of a capital is the period over which services are expected to be rendered by the asset.

6.3.3 Changes in Estimates

The general rule is that careful estimates of useful lives that later prove to be incorrect based on new information should be considered changes in estimates. Changes in estimates must be handled prospectively. However, estimates of useful lives that are computed incorrectly because of lack of historical useful like experience or failure to use available information should be considered accounting errors. Corrections of errors must be treated as prior period adjustments (i.e. restatements). Neither changes in estimates nor corrections of errors that are immaterial need to be separately stated.

6.3.4 Fully Depreciated Capital Assets

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

6.3.5 Capital Assets Held for Sale

Capital assets may be held for sale in accordance with GASB Statement No. 104. The criteria for identifying and classifying such assets are:

- The College has decided to pursue the sale of the asset;
- The likelihood of the sale will occur within one year of the financial statements;
- The asset can be sold in its present condition;
- The College is pursuing a buyer, and
- Both market conditions for the sale and regulatory approvals exist.

References & Links

State of New Mexico Links

NM Procurement Code: <https://nmonesource.com/nmos/nmsa/en/item/4378/index.do#!fragment/zoupio-Toc175762339/BQCwhgziBcwMYgK4DsDWszlQewE4BUBTADwBdoAvbRABwEtsBaAfX2zgEYB2AVi4DYATAGZhATgCUAGmTZShCAEVEhXAE9oAck1SIhMLgTLVG7bv2GQAZTykAQhoBKAUQAyzgGoBBAHlBhZylSMAAjaFJ2CQkgA>

NM Procurement Code Regulations:

<https://nmonesource.com/nmos/nmac/en/item/18048/index.do#!fragment/zoupio-Toc165453881/BQCwhgziBcwMYgK4DsDWszlQewE4BUBTADwBdoAvbRABwEtsBaAfX2zgEYA2AVgBYeAZgAcwjgEoANMmylCEAlqJCuAJ7QA5BskRCYXAIUr1WnXoMgAynlIAhdQCUAogBknANQCCAOQDC TyVlwACNoUnZxcSA>

NM General Services Sole-Source and Emergency Procurement Listings:

<https://www.generalservices.state.nm.us/state-purchasing/sole-source-emergency-procurements/>

NM General Services Debarment Notices: <https://www.generalservices.state.nm.us/state-purchasing/debarment-notices/>

NM General Services Statewide Price Agreements: <https://www.generalservices.state.nm.us/state-purchasing/statewide-price-agreements/>

New Mexico Sunshine Portal, Sole-Source/Emergency Procurement: <https://ssp.nm.gov/>

Federal Procurement Links

Federal Uniform Guidance: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200#200.313>

Federal System for Award Management (SAM): <https://sam.gov/>

Federal Acquisition Regulation (FAR): <https://www.acquisition.gov/browse/index/far>

Governmental Accounting Standards Board (GASB) Link

GASB Pronouncements: <https://gasb.org/standards-and-guidance/pronouncements>