

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

6 Authorized by: NNMC Board of Regents  
7 Process Owners: Vice-President for Finance and Administration  
8 Revision Approved: 8.15.19  
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10  
11 **1. General**

12 The Northern New Mexico College may acquire, maintain, protect, use, and dispose of property required  
13 to perform its mission. College property and resources may be used only for College approved business.  
14 Property may be moveable or fixed. Fixed property may also be referred to as real estate and includes  
15 buildings, land and improvements. For the purposes of this policy, leasehold improvements will be  
16 treated as moveable property, which may be defined as capital or non-capital. Capital property (capital  
17 asset) is determined as currently existing with that classification, or for new acquisitions, that 1) the cost  
18 is greater than \$5,000 and 2) the property has a useful life of more than one (1) year. Moveable property  
19 costing more than \$5,000 includes such items as vehicles, heavy equipment, furniture, fixtures, or  
20 computer equipment, and is capitalized on NNMC's financial statements and is depreciated. Questions  
21 regarding classification of assets or capitalization should be addressed to the Comptroller or his/her  
22 delegate.  
23

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

- 26 • State of New Mexico Law Section 12-6-10;
- 27 • State of New Mexico Law Section 13-6-1 and 13-6-2; and
- 28 • Federal Uniform Guidance, sections [2 CFR 200.313 Equipment](#) and [2 CFR 200.439](#)  
29 [Equipment and other capital expenditures](#) (OMB guidance for property purchased with federal  
30 grant funding).

31  
32 College property includes all:

- 33 • Equipment purchased by college departments, regardless of the source of funds, used to  
34 purchase the equipment;
- 35 • U. S. Government-owned equipment used by college departments;
- 36 • Components and material used to make equipment, whether furnished to, acquired by, or  
37 fabricated by the college;
- 38 • Property donated to the college; and
- 39 • Property loaned or leased to the college by outside organizations.  
40

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, are  
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 11 **2. Acquiring Property**

### 12 13 **2.1. Purchases**

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

#### 17 18 **2.1.1. Purchases Using Federal Funds**

19 All purchases involving federal funds must comply with the guidelines of the individual contract  
20 or grant, and be approved by the college's Grants Office and the Grants Accounting Department.  
21 The purchase of equipment must be necessary, in accordance with the terms of the contract or grant,  
22 and comply with the Federal Uniform Guidance and any other applicable sponsoring federal agency  
23 requirements. It is the responsibility of the principal investigator to complete any required  
24 government forms and comply with NNMC procurement and inventory policies.

##### 25 26 **2.1.1.1. Avoid Duplicate Purchases**

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

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

### 36 37 **2.2. Gifts of Property**

38 All gifts of property to the college must be formally received. Documentation must be received  
39 from the donor clearly listing the equipment, its current value, date of the donation, and any restrictions  
40 on the use of the donated equipment. If the property is valued over \$5,000, or deemed sensitive, a copy  
41 of the letter must be provided to the Comptroller or his/her delegate, who will make a determine on  
42 whether the property will be added to the college's inventory per [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 may  
3 include such diverse items as a fine arts collection or a piece of equipment.  
4

5 **2.3.1. Record Keeping and Insurance**

6 Any property on loan to the college must be immediately reported to the Comptroller or his/her  
7 delegate, for insurance purposes. Loaned property is added to the college’s inventory records and  
8 included in the annual physical inventory. When the property is returned to the lending organization,  
9 the department must notify the Comptroller or his/her delegate and supply them with documentation  
10 that the returned equipment was received by the lending agency (i.e. copy of the receipt of goods).  
11

12 **2.3.2. Use, Maintenance, and Security**

13 Property on loan to the college will be returned in the same condition in which it was received.  
14 While property is on loan to the college, the department that has custody of the property is  
15 responsible for its use, maintenance, and security.  
16

17 **2.4. Hazardous Materials**

18 If hazardous or dangerous materials are needed in the course of conducting research, contact the  
19 college Facilities and Security Departments before acquisition.  
20

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

22 College departments who have custody of college property are responsible for its proper use,  
23 maintenance, and security.  
24

25 **3.1. Use of Property**

26 Property, regardless of its funding source should be used for the purpose originally intended.  
27 However, additional rules apply to property purchased with federal funds.  
28 Such property must be used in the program or project for which it was acquired as long as needed,  
29 whether or not the project or program continues to be supported by the federal award. When no longer  
30 needed for the original program or project, the equipment may be used in other activities may  
31 sometimes be used elsewhere within the college after the project ends following the guidelines  
32 presented in Uniform Guidance sections [2 CFR 200.313 Equipment](#) and [2 CFR 200.439 Equipment and](#)  
33 [other capital expenditures](#).  
34

35 The Grants Office must approve all change of use requests for equipment purchased with federal funding  
36 and written permission from the federal funding agency may also be required. Please submit the [NNMC](#)  
37 [Inventory Control Form](#) and contact the Grants Office prior to moving or changing the use of such  
38 property.  
39

40 **3.2. Maintenance of Property**

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

1 **3.3. Location and Security of Property**

2 The location of each item of property is included in the college’s inventory records. Current location  
3 records must be maintained so that any item can be located for inspection or inventory purposes  
4 within a reasonable time. When property is temporarily idle or placed in storage, the department must  
5 provide adequate protection from damage or loss. Property must be protected when moved. Before  
6 property is moved, the [NNMC Inventory Control Form](#) must be submitted to the IT Department so that  
7 inventory records can be updated.

8  
9 Departments should make adequate provisions for the physical security of the property in their  
10 custody. Areas containing equipment should be locked after business hours or at other times when not in  
11 use. Special precautions should be taken for high-value, portable items.

12  
13 **3.3.1. Theft of Property**

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

19  
20 **3.3.2. Transfers of Property**

21 If NNMC property is to be transferred to another department, the transferring department must  
22 complete the [NNMC Inventory Control Form](#). The IT Director will contact the requestor if there are  
23 any questions regarding the property. If the property was purchased with federal grant funding the  
24 Grants Office will also need to authorize the transfer.

25  
26 **4. Inventory Control and Reporting**

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

35  
36 **4.1. College Equipment Inventory**

37 The IT Director, in coordination with the Comptroller or his/her delegate, maintains the college’s  
38 inventory system, a database containing information on each item of property valued over \$5,000, as  
39 well as items designated as sensitive. The following information is maintained on the inventory  
40 database for each item of equipment:

- 41 • NNMC identification number (per property tag)
- 42 • name or description of item
- 43 • 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, NMSA Section 12-6-10 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 IT Director, in coordination with the Comptroller or his/her delegate, 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 [www.nnmc.edu](http://www.nnmc.edu).

Department administrators (custodians) 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 Comptroller or his/her delegate, of additions and deletions to the collections as part of the college's annual inventory process.

The Comptroller or his/her delegate, uses the certified inventories to make adjustments and corrections to the inventory.

## 4.3. Adjustments to Inventory

Changes in a department's inventory should be reported to the Comptroller or his/her delegate 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 [NNMC Inventory Control Form](#) should be used to request internal property relocations and transfers.

## 5. Disposition of Property

When an item of property is no longer useful to a department, it may be transferred to another

college department, traded in on new equipment, or disposed of through the College Surplus Property Department. 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 NNMC 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 college. 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 Grants Department and the Comptroller or his/her delegate 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 college 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 Comptroller or his/her delegate.

### **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 Comptroller or his/her delegate for approval. Components that are not used should be sent to the Surplus Property Department.

### **5.4. Government Property**

If the government equipment is no longer being used, the department must contact the Comptroller or his/her delegate.

### **5.5. Disposal of Surplus or Obsolete Property**

Property to be disposed of (not traded in on new equipment or transferred to another college department) must be sent to the Surplus Property Department. A department that has property that is not being used should contact the Surplus Property Department. The department should complete and submit the [Request for Deletion/Disposal of Assets & Property Form](#). For more information, refer to NNMC Policy 7720 - Disposal and Donation of Property.

## **6. Depreciation**

Depreciation represents the portion of a capital asset that is deemed to have been consumed or expired

1 in the current year and that can be deducted as an expense. Depreciation is applicable for fixed as well  
2 as moveable property.

3  
4 **6.1 Depreciable and Non-Depreciable Fixed Assets**

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

11  
12 Land improvements and infrastructure may or may not be depreciable. If both types of assets exist or  
13 are anticipated, for example bridges and parking lots, it is recommended that the accounting  
14 structure be set up to capture the information differently. If both types exist or are anticipated to exist  
15 and one is considered immaterial, it is acceptable to combine them only if the one that is considered  
16 immaterial is not expected to become material at a later date.

17  
18 **6.2 Class Lives**

19 The expected useful life is based on the class rather than the individual asset. The life of the class of  
20 assets is intended to be the average for all the items included within the class. Therefore, while one  
21 specific piece of equipment may have a useful life of three (3) years and another may have a useful life  
22 of 12 years, if the chosen class life for equipment is five (5) years, then the life used for depreciation  
23 is five (5) years for both assets. The theory behind this is that the number of lives for the specific  
24 pieces of equipment is considerably varied and the extra specificity generally does not create a  
25 materially different result than a class life.

26

<b>Classification</b>	<b>Class Life</b>
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

27  
28 **6.3 Accounting Guidance**

29  
30 **6.3.1 Capital Asset Fund**

31 Asset acquisitions are recorded in the acquiring fund for budgetary and use of funds purposes.  
32 The assets and the related depreciation are recorded in the capital asset fund (9670).

33  
34 **6.3.2 Calculation**

35 Straight line depreciation is calculated by dividing total asset cost by estimate useful in years. Total  
36 asset cost includes purchase price or cost of construction plus any other charges incurred to place the

1 asset in its intended location and condition. Donated assets are valued at their fair market value at date  
2 of acquisition. The estimate useful life of a capital is the period over which services are expected to  
3 be rendered by the asset.

### 4 5 **6.3.3 Changes in Estimates**

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

### 13 14 **6.3.4 Fully depreciated capital assets**

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