

FINANCIAL POLICY AND PROCEDURE MANUAL	CAPITAL ASSETS
MID REGION COUNCIL OF GOVERNMENTS	EFFECTIVE DATE: 07/01/2015 REVISION DATE:

1.0 Purpose:

To establish standards for the accounting of and controlling of fixed assets acquired and owned by MRCOG.

2.0 Scope:

To define the process and procedures for the acquisition of fixed assets, the methods for assigning values to acquired assets (valuation), the methods of depreciating fixed assets, the establishment of internal controls on fixed assets, the procedures for conducting the annual inventory of fixed assets, and the allowable methods for the disposition of fixed assets.

3.0 Application:

This policy applies to all employees of the MRCOG.

4.0 Responsibilities:

4.1 The MRCOG Finance Department is responsible for the implementation of this policy and procedures.

4.2 All MRCOG managers and supervisors are responsible for knowing, understanding and adhering to the provisions of this policy as applicable to their operations.

5.0 Procedure:

5.1 Inventory Criteria for Tangible Personal Property

5.1.1 Current and accurate inventory records shall be maintained for the following:

- Tangible Personal Property - \$5,000 or more per item including improvements and renovations; or if donated, a fair market value at the time of donation of \$5,000 per item. Tangible personal property intentionally acquired for resale or used in MRCOG activities as supplies are excluded.
- Licensed vehicles regardless of cost or donated market value at the time of donation.
- Capital leases.
- Software over \$5,000.

5.2 Tangible Personal Property Composed of Internal Parts

5.2.1 Assets that have internal parts that are necessary to the functioning of the asset are not required to be separately inventoried, and can be considered to be all one asset (inventory record) provided all of the following apply:

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- The internal parts are acquired to place the asset into service and function is required.
- The life and utility of the internal parts are mainly independent on that of the asset, even if the acquired dates and vendors are different for each item.
- The cost of each part is included in the aggregate total of the inventory record.
- The internal parts are included in the description of the inventory record.

5.2.2 Should a Department acquire and install an internal part for an asset with an acquisition cost, of at least \$5,000, after it has been placed into service and is functioning as intended, then any subsequent internal parts \$5,000 and over are considered as separate components and are inventoried separately as a component record. The same asset identification number (ID) is to be used as the original asset, except a suffix is to be added to the ID number that is unique only to the component.

5.3 Inventory Criteria for Real Property

5.3.1 Current and accurate inventory records shall be maintained for the following:

- Land, regardless of cost.
- Buildings and land improvements with an actual or estimated cost, or if donated, a market value of \$5,000 or more per item.
- Improvements and renovations to an existing building with an actual or estimated cost, or if donated having a market value of more than \$5,000 per building component.
- Capital leases.

5.4 Use of Property

Items acquired should be used for the departments' business only. Additional requirements apply if items were purchased with federal grant money. Refer to the Grant Agreement.

5.5 Annual Physical Inventories

It is the MRCOG's policy to complete timely physical inventories for all assets on an annual basis to ensure the accuracy and reliability of the inventory. Physical inventories should be completed in accordance with the frequency and dates prescribed by the Finance Department. In compliance with Subsection V of 2.2.2.10 NMAC, MRCOG must certify in

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writing its completion of the required annual physical inventory and have available for the annual audit.

5.6 Inventory Valuation Basis

5.6.1 Fixed asset costs or market value of donated assets, are entered in the inventory at the cost arrived at after deducting trade discounts and without considering any trade-ins.

5.7 Disposal of Excess/Obsolete Inventory

5.7.1 Use the most practical and cost effective method of disposal. The requirements set forth in NMSA 1978 Chapters 13-6-1 through 13-6-2, Subsection T (3) of NMAC 2.2.2.10 must be followed when disposing of fixed assets. Dispositions must first be approved by the Board's Disposition Committee. Once approved, the dispositions are to be approved by the Executive Board. Once approved, Finance will notify the State Auditor's Office of the dispositions and method of disposition. After 30 days following notification to the State Auditor's Office, MRCOG may dispose of the fixed assets as approved by the Board.

5.7.2 When disposing of property acquired through the use of federal funds, additional steps are required. Please refer to the grant agreement.

5.7.3 Excess computer-related equipment/software should be offered to other departments within the MRCOG first. Pursuant to Subsection 2.2.2.10T (2) of NMAC MRCOG shall "sanitize" or effectively make "inaccessible", all licensed software any electronic media pertaining to MRCOG, regardless of cost and its inclusion in the fixed asset inventory. In compliance with Subsection B of Section 13-6-1 NMSA 1978, MRCOG must certify in writing the proper erasure or destruction of the hard drive, and submit the written certification along with the notification of the proposed disposition of property, to the State Auditor at least thirty (30) days prior to taking action to dispose of the asset.

5.7.4 Public Agencies Sale/Donation

MRCOG may dispose of the tangible personal property by negotiated sale or donation to any governmental unit of an Indian nation, tribe or pueblo in New Mexico or other state agencies, local public bodies, school districts, state educational institutions or municipalities.

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5.7.6. Donation to Non-Profit Agencies

If MRCOG is unable to dispose of the tangible personal property pursuant to 5.7.4 or 5.7.7 of this section, MRCOG may sell or, if the property has no value, donate the property to any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986.

5.7.7 Public Auction/Public Sale

Items not otherwise disposed of through other means should be sold at public auction or public sale, as provided by NMSA 13-6-1.

5.7.8 On-Site Disposal

- The on-site destruction method of disposal of property is applicable to obsolete inventory either damaged beyond repair or where it is otherwise not fiscally feasible to dispose of via any other method. In the situation where items are disposed of on site, the following steps must take place:
 - Items should be damaged beyond repair before being disposed.
 - An impartial individual should witness the destruction and sign appropriate documentation stating they witnessed the item was destroyed beyond repair.
 - All documentation related to such destruction should be maintained on site for a minimum of three years.

5.7.9 Copies of all transfers, donations, public auction, public sales and disposals are to be forwarded to the Finance Department.

5.8 Stolen/Missing Property

5.8.1 All MRCOG personnel involved in or responsible for any task of maintaining MRCOG property inventories, including a physical inventory, shall notify the Department Supervisor of any tangible property shown on the current active property report, but cannot be found and/or is suspected of being stolen.

5.8.2 A reasonable amount of effort should be made by the Department Supervisor to determine the whereabouts of the missing items or the reason(s) for their disappearance prior to taking further action.

5.8.3 The notified Department Supervisor shall review the reported inventory exceptions and, if necessary, will report it to senior management. As a guide the local police should be contacted if the total dollar value of the missing

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property is in excess of \$300 to request an investigation/report. This dollar amount is being provided as a guide only, if the Department Supervisor feels there is a need to contact the local police; they may do so regardless of the dollar value of the missing items; or if they notice a repeated behavior or pattern of missing items.

5.9 Depreciation Methodology

5.9.1 Capital fixed assets will be depreciated based on their “date of service” and based on estimated useful lives, using straight line depreciation.

Generally, useful lives are estimated as follows:

Equipment – 5 – 7 years

Vehicles – 5 – 7 years

Furniture – 7 – 10 years

Building improvements – 10 - 20 years