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RESOLUTION: 2018-33

Approving the  
**TORRANCE COUNTY POLICY**  
Governing Capital Assets

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**WHEREAS**, NMSA 1978, Section 12-6-10 (2005) requires that the County "at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000)" under its control" and that its capital asset inventory list any item costing more than \$5,000, effective June 17, 2005; and,

**WHEREAS**, Section 2.20.1 of NMAC requires agencies to properly account for capital assets; and,

**WHEREAS**, Section 2.20.1.8 of NMAC describes the required capital asset accounting system; and,

**WHEREAS**, Section 2.20.1.15 of NMAC describes the proper controls over capital assets; and,

**WHEREAS**, Section 2.20.1.16 of NMAC describes the statutory annual inventory requirement; and,

**WHEREAS**, Section 2.20.1.18 of NMAC describes the requirement to follow the applicable statutes when disposing of capital assets; and,

**NOW THEREFORE, BE IT RESOLVED** that the Board of County Commissioners adopts the statutory capitalization limit for asset items costing \$ 5,000 or more that were acquired since June 17, 2005.

**NOW THEREFORE, BE IT FURTHER RESOLVED** that the Board of County Commissioners adopts the attached Capital Asset Policy.

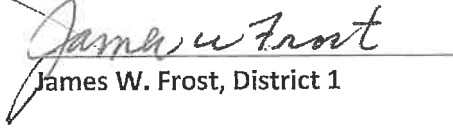
PASSED, APPROVED, and ADOPTED this \_\_\_\_ day of June, 2018.

BODY OF COUNTY COMMISSIONERS  
TORRANCE COUNTY, NEW MEXICO

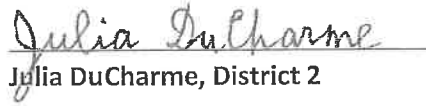
ATTEST:



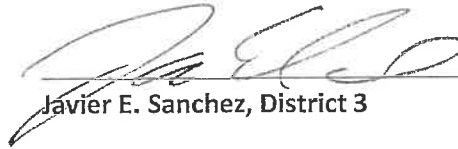
Linda Jaramillo, Torrance County Clerk



James W. Frost, District 1



Julia DuCharme, District 2



Javier E. Sanchez, District 3

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## **I. Purpose.**

The purpose of this policy is to provide guidelines and regulations for the recording and depreciation of capital assets.

Capital Assets include land, buildings and improvements, roads, machinery, vehicles and equipment, and construction in progress. The amount represented in the financial statements should be documented by an inventory listing supported with available detailed records of each asset maintained by the Finance Office.

## **II. Administrative Policies**

### **a. Fiscal Responsibility**

#### **i. County Commission**

1. Determine policy for proper disposal, transferal and depreciation of Fixed Assets and policy for notification to the State of New Mexico.
2. Review findings related to internal audits conducted by internal and external auditors.
3. Approve list of items declared surplus and suggested disposal methods pursuant to NMSA 1978, Section 13-6-1 (2007)(i.e., sale, scrap, etc.).

#### **ii. Finance Office**

Areas of responsibility are outlined below:

1. Provide Elected Officials/Department Heads with listings of inventory for which they are held accountable.
2. Maintain inventory listings of all assets determined to be tracked.
3. Copies of available documentation on all assets will be maintained in separate files as long as the asset is actively on the books.
4. Tagging of all assets as determined by this policy and input of all relative information to the computer system.
5. Removal of tags and retirement of assets from computer records upon proper notification by appropriate departments.

#### **iii. Department Heads and Elected Officials**

Department Heads and Elected Officials are responsible for the custody and maintenance of all assets purchased for or assigned to their office.

1. Report the theft or loss of property immediately to the Finance Office by telephone to be followed by a letter or memorandum to the Finance Office. A police report should be obtained on all losses suspected of being stolen and submitted to the Manager's Office for insurance reporting.
2. Report to the Finance Office any assets deemed to be surplus and unneeded by the department and request transferal or disposal.

3. Any transferal or disposal of assets by Department Heads and/or Elected Officials shall be documented in writing to relieve that official of said responsibility.
4. Allow Finance Office access to all records necessary to aid in the determining of proper disclosure of fixed assets for reporting purposes.
5. Designate person(s) for the custody and control of departmental property. The name of this person shall be submitted to the Finance Office for direct communication purposes. If a name is not submitted, the Department Head/Elected Official will serve in this role.
6. Notify Finance Office of new asset acquisitions not currently tagged.
7. Notify Finance Office of transfer of an asset to a different Department.
8. Reconcile and report differences between annual fixed asset inventory and actual physical inventory to Finance Office.

## **b. Assets**

### **i. Recording Land**

Land is to be capitalized but not depreciated. It is not recorded at actual cost, or a historical cost estimate if actual cost is unknown, and remains at that cost until disposal.

### **ii. Recording Land Improvements**

1. Non-Exhaustible – Expenditures for improvements that do not require maintenance or replacement are capitalized but not depreciable. These expenditures include bringing land into the condition to commence erection of a structure, or land improvements that do not deteriorate with use or passage of time. They are additions to the cost of land and are therefore not exhaustible and are not depreciable.
2. Exhaustible – Other improvements that are part of a site, such as parking lots, and fencing, etc. are depreciable.

### **iii. Recording Historical Treasurers & Works of Art**

Historical Treasurers & Works of Art are to be capitalized but not depreciated. It is recorded at actual cost, or a historical cost estimate if actual cost is unknown, and remains at the cost until disposal.

### **iv. Recording Buildings**

1. Recording Buildings – Buildings should be recorded at either their acquisition costs or construction costs. When improvements are made to major components, each building component (e.g., roof, air conditioner systems, etc.) may be recorded separately when significant because these have different useful lives. If components

are used, the value of each component will be determined and placed within its own category.

2. Recording Building Improvements – Building Improvements that extend the useful life of a building and meet the capitalization threshold should be capitalized. (For retroactive recognition of site and facility improvements, only those projects completed within the last five years will be considered unless meaningful data is readily available for preceding years.)
3. Recording Construction in Progress – Construction in progress should be capitalized and not depreciated.
4. Recording Vehicles – Vehicles should be identified, inventoried, and, if applicable, depreciated.
5. Recording Furniture and Equipment – Assets such as furniture, machinery and equipment should be identified and inventoried. If they meet the threshold levels (\$5,000 or more), they should be capitalized and depreciated.

#### **c. Costs**

Fixed assets shall be recorded at actual cost. If the actual cost is unknown, cost is estimated based on available information provided. Otherwise, estimated historical cost based on Marshal and Swift will be used where applicable. Donated fixed assets should be recorded at their estimated fair value at time received.

- i. Actual Cost – This will include not only the purchase or construction cost (which can be obtained through invoice, purchase order, and paid check files) but also charges necessary to place the asset in its intended location. This includes costs, professional fees, and legal claims directly attributable to asset acquisition.
- ii. Estimated Cost – This will be based on as much documentary evidence that can be found to support the cost such as interviews with personnel and price level adjustments for each asset.
- iii. Donated Cost – These assets will be on their estimated fair value at a time of acquisition. A determination as to the fair value basis will be included with property records.

#### **d. Accumulated Depreciation**

Depreciation is a method for allocating the cost of buildings and equipment over their useful lives. Generally accepted accounting principles dictate that the value of capital assets must be written off as an expense over the life of the asset as an indirect cost. Annual depreciation expense will be calculated using the straight-line method and useful life schedules are attached.

**e. Dollar Value and Life Expectancy Tests**

Assets purchased with a dollar value of \$5,000 or more will be included in the inventory record. Items under this dollar value will not be presented in the financial statements.

**f. Capital Lease Assets**

Capital assets leases, where the intent is to make a capital purchase at the end of the lease, will be included in the inventory record.

**g. Asset Disposition**

Assets no longer owned by or in the possession of the County shall be removed from the inventory record.

- i. Sold and/or Retired – These assets will be removed from the inventory record upon formal notification from the responsible party of such disposition. Departments should be cautious about retiring assets still depreciating on the books. This will result in the County having to write off a loss in the year the asset was retired.

**h. Surplus Assets**

- i. Assets that are no longer needed or useful. May be disposed of by, following New Mexico State Auditor's Disposition Rules.
- ii. Each department may bid out or auction any surplus equipment upon approval by the Finance Office and County Commission. A complete accounting of the assets and any proceeds must be reported back to the Finance Office so that these items can be removed from the system. County employees will be prohibited from personally taking possession of any items declared surplus, other than those purchased through the sealed bid process or public auction. Be cautious of co-mingling County owned assets with other assets in possession of departments. A clear record must be kept of ownership.
  - 1. Items for which no bids are received or their salvage value is determined to be less than the cost of handling/advertising, and will create a negative cash flow, may be destroyed or sold as scrap. A list of these items must be forwarded to the Finance Office so they can be removed from the system.
  - 2. A list of surplus equipment removed from inventory record will be presented to the full County Commission.

### III. ACCOUNTING POLICIES

#### a. Capitalization and Depreciation

The following items will be capitalized as listed:

1.	Land	\$ 1	CAPITALIZE ONLY
2.	Land Improvements	\$25,000	Capitalize and Depreciate
3.	Buildings	\$50,000	Capitalize and Depreciate
4.	Building Improvements	\$50,000	Capitalize and Depreciate
5.	Roads and Bridges	\$250,000	Capitalize and Depreciate
6.	Vehicles	\$5,000	Capitalize and Depreciate
7.	Machinery and Equipment	\$5,000	Capitalize and Depreciate
8.	Furniture and Fixtures	\$5,000	Capitalize and Depreciate
9.	Construction in Progress	\$1	Capitalize Only

#### b. Capital Assets Useful Lives & Depreciation

All depreciation in straight line depreciation. Useful life timetables will comply with GASB Statement 34. (See Appendix A)