



**VALENCIA COUNTY
BOARD OF COUNTY COMMISSIONERS
RESOLUTION .No. 2022- 105
FIXED ASSET POLICY**

**A RESOLUTION RELATING TO THE PROPER ACCOUNTING FOR CAPITAL ASSETS,
THE ADOPTION OF THE STATE STATUTORY CAPITALIZATION LIMIT; AND, THE
PROPER DISPOSAL OF THOSE ASSETS IN ACCORDANCE WITH APPLICABLE
STATUTES.**

WHEREAS, the Board of County Commissioners of Valencia County, met upon notice of a duly published meeting on September 21, 2022 at 5:00 P.M. in the Valencia County Administration Building, 444 Luna Avenue, Los Lunas, New Mexico 87031; and,

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, this policy repeals and replaces previous Fixed Asset Policy, including but not limited to Resolution 2016-11 with the adoption of this policy.

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.


APPROVED, ADOPTED, AND PASSED
September 21, 2022
BOARD OF COUNTY COMMISSIONERS




Gerald Saiz
Commissioner, District I



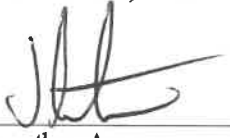
Troy Richardson
Commissioner, District II



David Hyder
Commissioner, District III

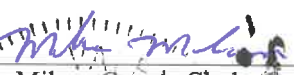


Joseph Bizzell
Commissioner, District IV




Jhonathan Aragon
Commissioner, District V

Attest:



Mike Milam, County Clerk



The seal is circular with a double-line border. The outer ring contains the text "BERNALILLO COUNTY" at the top and "NEW MEXICO" at the bottom. The inner ring contains "COUNTY CLERK" on the left and "COUNTY" on the right. In the center, the word "SEAL" is written vertically.

Contents

I.	Purpose	1
11.	Administrative Policies	1
A.	Fiscal Responsibility	1
III.	Capital Asset Classes	3
A.	Land	3
B.	Buildings & Building Improvements	3
C.	Leasehold Improvements	4
D.	Infrastructure	5
E.	Equipment	5
F.	Lease Purchase Assets	5
G.	Construction in progress	5
H.	Easements/ Right of Way	6
I.	Patents, Copyrights and Trademarks	7
J.	Software	7
IV.	Costs	8
A.	Actual Cost	8
B.	Estimated Historical Costs	8
C.	Donated Cost	8
V.		
VI. VII.		
A.		
B.		
C.		
D. VIII. IX.		
X.		

Depreciation & Estimated Useful Lives	8
Controllable Assets	9
Disposition of Assets	9
Sold and/or Retired	9
Obsolete	9
Transferred or Proprietar y or Trust fund	9
Missing Assets	9
Surplus Equipment	9
Disposal Committee	10
Capitalization and Depreciation	11

I. Purpose

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

Capital assets are real or personal property that have a value equal to or greater than the capitalization threshold for their respective asset class and have an estimated initial useful life of greater than one year. Additionally, this policy applies to intangible assets. It is also the County's responsibility to ensure proper accountability of certain other purchases (controllable assets) made with funds that do not represent investment in general fixed assets. This policy will encompass that responsibility as well.

I. Administrative Policies

A. Fiscal Responsibility

1. County Commission

- a) Determine policy for proper acquisition, disposal, transfer and depreciation of fixed assets and policy for notification to the State of New Mexico.
- b) Review findings related to internal audits conducted by internal and external auditors.
- c) Approve list of items declared surplus and suggested disposal methods pursuant to NMSA 1978, section 13-6-1 (2007) (i.e., sale, scrap, etc.).

2. Finance Office

Areas of responsibility are outlined below:

- a) Maintain inventory listings of all capital assets and controllable assets determined to be tracked.
- b) Provide administrative officials with listings of inventory for which they are held accountable.
- c) Copies of available documentation on all capital assets will be maintained in separate files as long as an asset is actively on the books. Documentation on controllable assets such as computers and computer related items that do not meet the threshold will not be required.
- d) Tagging of all capital and controllable assets as determined by this policy and input of all relative information into the computer system.

e) Removal of tags and retirement of assets from computer records upon proper notification by appropriate departments and approval from the Board of County Commissioner, State Auditor, and Department of Finance.

f) Reconcile and report differences between annual fixed asset inventory and actual physical inventory to Department Heads, County Manager and County Commission.

g) Develop and maintain asset and disposal committee. Hold regular periodic committee meetings to review and discuss topics related to capital and controllable assets.

3. 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. Report the theft or loss of property immediately to the Finance Director and Asset Coordinator by telephone to be followed by a letter or memorandum to the Finance Director. A police report should be obtained on all losses suspected of being stolen and submitted to the Managers' office for insurance reporting.

a) Report to the Finance Director and Asset Coordinator any assets deemed to be surplus or unneeded by the department so that transfer or

b) Designate person(s) for the custody and control of departmental property. The name of this person shall be submitted to the Finance Director and Asset Coordinator for direct communication purposes. If a name is not submitted, the Department Head/Elected Official will serve in this role.

c) If an Asset tagging system is implemented, notify Finance Director and Asset Coordinator of new asset acquisition not currently tagged.

III. Capital Asset Classes

A. Land

Land is defined as the surface or crust of the earth, which can be used to support structures and roadways, and may be used to grow crops, grass, shrubs, and trees. Land is characterized as having an unlimited life. Land is 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 that cost until disposal.

B. Buildings & Building Improvements

1. Buildings

A building is a structure that has a roof; is partially or completely enclosed by walls, and is not intended to be transportable or moveable. It is generally used to house persons, property, and fixtures. Buildings should be recorded at either their acquisition cost or construction cost.

Examples of items to be capitalized as buildings are as follows:

- a) Original purchase price and any other costs associated with getting the building ready for use.
- b) All project costs associated with the original construction of a building.

2. Building Improvements

Building improvements that extend the useful life of a building and meet the capitalization threshold should be capitalized. Only site and facility improvement projects completed within the last five years will be considered for retroactive recognition unless meaningful data is readily available. Replacement of an original utility would qualify if the new item is of significantly improved quality and higher value compared to the older item. Replacement or restoration to original utility level would not. Determinations will be made on a case-by-case basis. Examples are as follows:

3. Replacement of an old shingle roof with a new fireproof tile or metal roof.
4. Upgrade heating and cooling systems.
5. Furniture or appliances.

Maintenance expenses are incurred to keep assets in normal operating condition and to help maintain the original use of the building. Maintenance expenses do not extend the life of a building beyond the expected useful life at acquisition, nor do they increase the future service potential of the building.

Maintenance costs are expensed and not capitalized. Examples are as follows:

1. Plumbing or electrical repairs.
2. Interior maintenance such as repainting, replacement of carpet, tile, blinds or wallpaper.

C. Leasehold Improvements

Leasehold improvements are defined as construction of new buildings or improvements made to existing structures by the lessee, who has the right to use the leasehold improvements over the term of the lease. Movable equipment or office furniture that is not attached to the leased property is not considered leasehold improvements. If

capitalized, they will be depreciated over the shorter of (1) the remaining lease term or (2) the useful life of the improvement.

D. Infrastructure

Infrastructure is long lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Improvements made to infrastructure that materially extend the useful life and/or increase the value of the infrastructure should be capitalized. Determinations will be made on a case-by-case basis.

E. Equipment

Equipment is defined as fixed or movable tangible assets to be used for operations beyond one year from the date of acquisition. Examples are as follows:

1. Audio/Visual Equipment.
2. Computers/Computer Equipment.
3. Furniture/Equipment/Machinery.
4. Kitchen/Cafeteria Equipment.
5. Telecommunications/Telephone Systems.
6. Leased purchased equipment.
7. An interdependent system such as radios with a command console.
8. Vehicles.

F. Investments

An asset that is declared surplus or is held for possible future use is an investment and should not be depreciated.

G. Lease Purchase Assets

Assets should be capitalized if the lease agreement meets any one of the following criteria:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains a bargain purchase option.
3. The lease term is equal to or greater than 75 percent of the estimated economical life of the leased property.

4. The present value of the minimum lease payments at the inception of the lease, excluding executorial costs, equals 90 percent of the fair market value of the leased asset.

H. Construction in progress

Construction in progress reflects the economic construction activity status of buildings, infrastructure, additions, alterations, reconstruction, and installation which are substantially incomplete. Each project and its related expenditures must be evaluated on a case-by-case basis to determine when the asset is considered complete for financial reporting purposes. Projects which are not candidates for closure but show that 90 percent of the budget has been expended require documentation on outstanding work.

Construction in progress projects should be capitalized to their appropriate capital asset classes upon one of the following:

1. Final acceptance from the County.
2. Placed into service.

I. Easements/ Right of Way

Easements are interests in land owned by another that entitles its holder to the right to use the land for a specific or limited purpose. An easement does not give the holder a right of "possession" of the property, only a right of use. Easements where there is only granted right of use, are temporary, or where the cost is minimal will not be capitalized.

A right-of-way is a type of easement in which fee simple title is obtained, defined as an absolute estate in perpetuity one in which the owner is entitled to the entire property, with unconditional power of disposition. Therefore, this type of easement should be capitalized.

A conservation easement or "land trust" is a type of easement which transfers usage rights. This contract created a legally enforceable land preservation agreement between landowner, municipality or a qualified land protection organization for the purposes of conservation. It restricts real estate development, commercial and industrial uses, and certain other activities on a property to a mutually agreed upon level. The restrictions are perpetual and are spelled out in a legal document that is recorded in the local land records and the easement becomes part of the chain of title for the property.

Examples of types of easements where the estimated value does not meet the capitalization threshold so therefore will not be capitalized are as follows:

1. Drainage easement
2. Slope easement
3. Temporary construction easement

4. Sidewalk easement
5. Pond easement
6. Flowage easement
7. Access easement
8. Street lighting easement
9. Maintenance easement
10. Signal easement
11. Lift station easement
12. Visibility easement

J. Patents, Copyrights and Trademarks

Trademarks are a word or mark that distinctly indicates the ownership of a product or service, and that is legally reserved for the exclusive use of that owner. A copyright is the exclusive legal right to reproduce, publish, sell, or distribute the matter and form of something. A patent is the legal right to use an invention. Patents, copyright and trademarks will be amortized.

K. Software

Software is programming code used to operate computer systems. Leased software will not be capitalized.

Purchased software and/or costs incurred to develop and implement software will be included in the acquisition cost. Licensing or subscription fees when an asset is initially purchased should be capitalized.

Purchases of software packages and associated licenses are eligible for capitalization.

Payments to renew annual license agreements are not capitalized.

Costs incurred prior to formal decisions to acquire software, costs subsequent to full deployment, training costs, data conversion costs, maintenance costs, and administrative and overhead costs are not capitalized.

Expenditures that include some elements that can be capitalized and other that cannot be capitalized should be segregated accordingly, when applicable.

IV. 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 the time of acquisition.

A. Actual Cost

Actual cost will include not only the purchase or construction cost but also charges necessary to place the asset in its intended location and condition for use. This includes costs such as freight and transportation, site preparation expenditures, interest costs, professional fees, legal fees, legal claims directly attributable to asset acquisition, etc.

B. Estimated Historical Costs

Estimated historical costs will be based on as much documentary evidence that can be found to support the cost such as affidavits, interviews with personnel and price level adjustments for each asset such as Marshal and Swift estimates.,

C. Donated Cost

Donated costs will be based on their estimated fair market value at the time of acquisition. A determination as to the fair market value basis will be included with property records. This would include a copy of the most recent Notice of Value from the Assessor's office.

V. Depreciation & Estimated Useful Lives

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.

The estimated useful life of an asset should be obtained from (a) professional or industry organizations, or (b) information for comparable assets of other governments, or (c) internal information related to similar assets and asset classes. The present condition of an asset and the length of time it is expected to meet service demands should also be considered when establishing the useful life of a fixed asset.

VI. Controllable Assets

Controllable assets are assets that are valuable enough to be included in the inventory record but do not meet the criteria for a capital asset. Such property would include individual items with a replacement dollar value of at least \$500. Controllable assets should be listed by assigned department or location and tracked in the same manner as capital assets.

VII. Disposition of Assets

Disposition of assets will occur through the disposal committee following all applicable statutes and regulations only after proper notification has been completed and approval has been obtained.

A. Sold and/or Retired

Assets will be placed for sale after formal notification and approval from necessary and

required parties. Assets will be removed from the official record upon receipt of proceeds from sale or transfer of ownership of asset.

B. Obsolete

Obsolete assets will be removed from the inventory record upon formal notification and upon said determination by responsible party.

C. Transferred or Proprietary or Trust fund

Assets in good working order may be removed from one department's responsibility and placed in storage for future use by other departments. These assets will be removed from the inventory record upon formal notification and approval from necessary parties.

D. Missing Assets

Assets not inventoried for two consecutive annual inventories will be classified as missing and will be removed from the inventory record upon formal notification to the Finance Director and Asset Coordinator. These assets will no longer be searched for in regular annual inventories. However, if an asset is located at some time in the future, it will be reactivated in the system. A list of missing assets by department will be presented to the full County Commission.

VIII. Surplus Equipment

Each department may determine to have surplus equipment. Surplus equipment shall be reported to the Finance Director and Asset Coordinator so the items can be

presented to the disposal committee. County employees are prohibited from personally taking possession of any items declared to be 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 of ownership must be kept.

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 negative cash flow, may be destroyed or sold as scrap as recommended by the disposal committee. A list of these items must be provided to the Finance Director and Asset Coordinator and the items will be removed from the inventory record.

A list of surplus equipment recommended for removal from the inventory record will be presented to the full County Commission.

IX. Disposal Committee

The disposal committee shall consist of at least three officials of Valencia County. The disposal committee shall meet before the disposition of any asset to determine an official finding and proposed method of disposition for any asset. The findings of the disposal committee should include, at a minimum, the reason for disposal, current value of asset, proposed method of disposal, and the condition of the asset. The official findings of the disposal committee shall be provided to the Finance Director and Asset Coordinator. All findings and recommendations of the committee will be presented to the Board of County Commission for approval and forwarded to necessary and required parties thereafter.

X. Capitalization and Depreciation

The following items will be capitalized as listed:

Land	\$1 (Do Not Depreciate)
Land Improvements	\$5,000
Buildings	\$5,000
Building Improvements	\$5,000
Leasehold Improvements	\$5,000
Infrastructure	\$5,000
Equipment	\$5,000
Lease Purchase Assets	\$5,000
Construction in Progress	\$1 (Do Not Depreciate)
Easement/Right-of-Ways	\$5,000
Patents, Copyrights and Trademarks	\$5,000
Software	\$5,000

Estimated Useful Lives

Asset Class	Examples	Years
Land		N/A
Land Improvements	Paving, retaining walls, sidewalks, fencing	20
HVAC Systems	Heating, ventilation, air conditioning, air purifier	20
Sprinkler/Fire Suppression	Fire Suppression System	25
Outdoor Equipment	Radio Towers, Pumps	25
Machinery and Tools	Shop and maintenance equipment	15
Furniture and Accessories	Office Furniture, Workout Equipment	20
Communication Equipment	Mobile, portable radios, projectors, cameras	10
Computer Software	Instructional, administrative	5-10
Grounds Equipment	Mowers, tractors, implements	15
Buildings		30
Building Improvements	Metal roofing, awnings	30