

DISPOSAL OF CAPITAL ASSETS

Administrative Rule Adopted by Council

ARC FIN-6.12

Purpose

The purpose of this administrative rule is to establish minimum standards for the disposal of capital assets and subsequent reporting in the financial records.

Authority

Authority for this administrative rule is established in the City Charter and the City Code. This administrative rule has been approved by the City Council.

Monitoring Compliance

The Accounting Division of the Bureau of Revenue and Financial Services of the Office of Management and Finance (Accounting Division) will ~~periodically~~ monitor ~~bureaus~~ bureau capital asset inventory schedules to assess compliance with the minimum standards of this rule. ~~As instances~~ Identified instances of non-compliance ~~are identified,~~ bureaus will be required to develop and implement ~~require the development and implementation of a bureau~~ corrective action plan. The Accounting Division will provide assistance to bureaus, if requested, to develop this plan. The Controller will notify report ~~all instances of non-compliance annually to~~ the Chief Financial Officer (CFO) and City Council in conjunction with the CAFR publication process.

Definitions

~~“Book value” or “net book value” means historical cost of a capital asset less any related accumulated depreciation.~~

~~“Disposal” means to relinquish ownership of an asset in a conclusive manner by sale, exchange, transfer, involuntary conversion, abandonment, or donation.~~

~~“Impairment” means significant, unexpected decline in the service utility of a capital asset.~~

~~“Retire” means to withdraw an asset from normal usage or service.~~

~~“Surplus property” means tangible personal property, including capital assets or minor equipment, no longer needed by the owner. Examples include office furniture, computer equipment, vehicles, and items determined to be obsolete or overstocked.~~

~~See additional definitions in Accounting Administrative Rule FIN 6.11 Capital Assets.~~

General Guidelines and Responsibilities for Disposal of Capital Assets

1. Capital assets retired from service shall be disposed of in the most efficient and cost effective manner possible.

2. Capital assets shall be disposed of in a manner that is environmentally responsible.
3. Tangible personal property shall be designated as surplus and authorized for disposal in accordance with City Code Chapter 5.36 Property Control.
4. Vehicles and vehicular equipment shall be designated as surplus and disposed of by the Office of Management and Finance – ~~Business Operations~~ Bureau of Internal Business Services.
5. Information technology and communication equipment shall be designated as surplus and disposed of by the Bureau of Technology Services. City data and software shall be removed from such equipment in accordance with Bureau of Technology Services Policies and Administrative Rules.
6. Minor equipment items, which by definition are not capital assets, shall also be designated as surplus and disposed of in accordance with the above guidelines.

Recordkeeping and Accounting for Disposal of Capital Assets

1. Capital asset disposal records shall be maintained in accordance with Generally Accepted Accounting Principles under the direction of the Accounting Division.
2. Capital asset disposal records shall be retained in accordance with City policies and retention schedules published by the City Auditor.
3. A full year's depreciation expense shall be recognized in the year of disposal.
4. Gain or loss on disposal of capital assets shall be recognized in accordance with Generally Accepted Accounting Principles.
5. Capital assets that continue in service, even after fully depreciated, shall remain on the financial records and shall be removed only upon disposal.
6. Disposing bureaus shall promptly and accurately record disposals, including transfers between bureaus, as they occur throughout the fiscal year.
7. ~~Supporting documentation for disposals, including transfers between bureaus, shall include an Equipment Transfer and Disposal Report completed in accordance with instructions provided by the Accounting Division.~~ Supporting documentation for disposals, including transfers between bureaus, shall be submitted to the Accounting Division's Capital Asset Accountant timely after the disposal or transfer. Refer to Accounting Division's procedure document for documentation requirements.

8. ~~For transfers between bureaus, the book value of assets transferred shall be relieved from the transferring bureau's balance sheet and added to that of the receiving bureau at the same book value. Historical cost of transferred assets, along with any related accumulated depreciation (net book value), shall be removed from the transferring owner's balance sheet and added to that of the new owner. Difference between agreed upon purchase price and net book value will be recorded as gains or losses.~~
9. The bureau owning an asset shall further be responsible for:
 - a. ~~Explaining and resolving physical inventory discrepancies and completing an Equipment Transfer and Disposal Report or an Asset Acquisition Form, whichever is appropriate~~ a Capital Asset Disposal & Transfer Form;
 - b. ~~Accounting for items lost or stolen by completing an Equipment Transfer and Disposal Report~~ a Capital Asset Disposal & Transfer Form; and
 - c. Filing a police report for any asset believed to have been stolen.

Disposal of Personal Property

1. Capitalized personal property may qualify for disposition if:
 - a. Designated as surplus,
 - b. Found to no longer function or is no longer in use,
 - c. Traded for a newer or more functional item,
 - d. Determined to be in a state of disrepair and not reasonably repairable,
 - e. Discovered missing during a physical inventory, or
 - f. Reported as lost or stolen.
2. ~~Upon proper authorization~~ Subject to bureau-specific authorization, disposition shall be permitted as follows:
 - a. Transfer or sale to another bureau,
 - b. Transfer or sale to another public agency,
 - c. Delivery to the State of Oregon for disposal as surplus,

- d. Donation, if the donation is deemed to be in the public interest, to a public agency or an Internal Revenue code 501(c)(3) organization as follows:
 - i. Items valued under \$5,000 shall be authorized by the donating bureau's Commissioner-in-charge or by that Commissioner's designee.
 - ii. Items valued at \$5,000 or more shall be authorized by Council.
 - e. Abandonment, salvage, or destruction, but only in accordance with regulatory restrictions and environmental rules and regulations.
 - f. Sale, exchange, trade-in, or salvage of the following specific types of equipment shall be handled as follows:
 - i. Vehicles and vehicular equipment by the Office of Management and Finance – Bureau of Internal Business Services ~~Business Operations~~
 - ii. Computer and communications equipment by the Bureau of Technology Services
3. The following surplus property shall be transferred, donated, sold, or otherwise disposed only after Council approval:
- a. Firearms,
 - b. Contraband,
 - c. Hazardous items,
 - d. Items of historical significance, and
 - e. Any other item deemed appropriate for exemption by the Commissioner-In-Charge of the bureau owning the property.

Disposal of Real Property

- 1. Real property, including land, land improvements, buildings, and infrastructure shall be disposed of only after Council approval by ordinance.
- 2. ~~The Office of Management and Finance – Business Operations~~ The bureaus owning the property shall, in general, have responsibility for the sale of real property.

Disposal of Grants-funded Assets

For disposal of grant-funded assets, please contact Grants Management for requirements.

Disposal of Historic Assets

If an asset is on the National Register of Historic Places, please refer to U.S. Code Title 16 Chapter 1A for requirements.

Impairments of Capital Assets

1. Capital assets shall be considered impaired when events or changes in circumstances indicate that service utility has declined significantly and unexpectedly as defined by Generally Accepted Accounting Principles (GAAP). Such events or changes in circumstances may include flood, fire, earthquake, technological obsolescence, or changes in environmental standards.
2. Bureaus shall consult with the Accounting Division to insure proper measurement, recording, and reporting of impairments in accordance with GAAP.

Definitions

“Book value” or “net book value” means historical cost of a capital asset less any related accumulated depreciation.

“Disposal” means to relinquish ownership of an asset in a conclusive manner by sale, exchange, transfer, involuntary conversion, abandonment, or donation.

“Impairment” means significant, unexpected decline in the service utility of a capital asset.

“Personal property” means any asset other than real property. The distinguishing factor between personal property and real property is that personal property is not fixed permanently to one location as with real property. Examples of personal property include vehicles, furniture, equipment, software, etc.

“Real property” means any property attached directly to land as well as the land itself. It is any subset of land that is fixed permanently to one location. Real properties include land, land use rights, buildings, improvements to land, and infrastructure.

“Retire” means to withdraw an asset from normal usage or service.

“Surplus property” means tangible personal property, including capital assets or minor equipment, no longer needed by the owner. Examples include office furniture, computer equipment, vehicles, and items determined to be obsolete or overstocked.

See additional definitions in Accounting Administrative Rule FIN 6.11 Capital Assets.

Related Policies and Procedures

6.11 Capital Assets

6.12.01 Asset disposal examples