

**HIDALGO COUNTY, TEXAS**  
**ADMINISTRATIVE POLICY MANUAL**

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Date Authorized: 03/17/2015  
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## **Chapter-17**

### **FIXED ASSET DISPOSITIONS**

#### **Disposition Methods Outline**

Salvage and surplus property owned by the county may be disposed under the provisions of The Texas Local Government Code – (Chapter 263- Sections 263.151 through 263.158).

A fixed asset disposal occurs when a department has a fixed asset that is no longer considered to be in working condition, is obsolete, scrapped or dismantled. If a department no longer needs an asset and the asset is not being transferred to another department, the asset can be sent to surplus for disposition at public auction.

In addition to periodic dispositions during public auctions, capital assets may be written off in instances where they have been destroyed, stolen, lost, obsolete, or are damaged beyond repair. A list of such items must be presented to County Commissioners' Court for approval to be removed from the County's Inventory (**Ref: Form FA-006**). Final disposition of no longer useful equipment and county owned real state property can be identified in one of 14 disposition methods as outlined below.

1. Auctions
2. Competitive bids
3. Trade-ins
4. Donations
5. Returns
6. Discarded/Waste Property
7. Salvage
8. Missing Assets
9. Stolen Assets
10. Scrap Metal
11. Disposition by Destruction
12. Disposition of Abandoned and Unclaimed Property
13. Cannibalization
14. Disposition of County Owned Real State Property

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The Purchasing Agent will periodically request that the Commissioners' Court declare property "surplus" or "salvage" for disposition at public auction or by Competitive Bids.

### **1. Auctions**

Once Commissioners' Court approval is received, the Purchasing Office shall coordinate the placement of the advertisement. **LGC § 263.153 (a)** specifies that: " The commissioners' court shall publish notice of a sale of surplus or salvage property in at least one newspaper of general circulation in the county; and (b) The notice must be published on or after the 30<sup>th</sup> day but before the 10<sup>th</sup> day before the date of the sale."

The Fixed Asset Division supervises the auction to ensure that it meets statutory requirements and may reject offers in accordance with **LGC 263.154** which states: "The commissioners' court or its designated representative conducting the sale may reject any offer to purchase surplus or salvage property if the court or representative finds the rejection to be in the best interest of the county."

Once the auction is complete, the Purchasing Department-Fixed Asset Division keeps a record of each item or surplus or salvage or property sold and the sale price of each item as dictated by **LGC 263.155**. Auction proceeds are collected as required by **LGC § 263.156** and deposited by the Treasurer in the County's General Fund or the appropriate Special Revenue Accounts established by the Purchasing Department and the County Auditor's Office Accounting Division for sales of equipment. The Surplus Auction Final Report should be delivered to the Accounting Division within 10 working days in order to distribute auction proceeds to proper general ledger accounts in a timely manner.

#### **Surplus Procedures Prior to Auction**

Before the sale of surplus equipment at public auction, all Hidalgo County identifying information shall be removed by the County Department staff in charge of declaring the items as surplus for disposition. It includes and is not limited to remove all county asset tag #'s, County Emblems, Light Bars, Radios, and exempt license plates. Any electronic or digital media shall be erased of any information and it must be rendered inoperable and useless prior to disposal.

Prior to submittal of the transfer form, special attention should be given to indicate the funding source of the items being declared surplus for disposition. The funding information provided by the department should help expedite the timely completion of the Surplus Auction Final Report.

### **2. Competitive Bids**

The process for competitive bids is similar to that of auctions. The Purchasing Agent shall compile a list of items to be declared as "surplus" or "salvage" and request Commissioners' Court approval of the items for disposal. Once approval is received, the purchasing department places the advertisement. The Purchasing Agent supervises the competitive bidding process and again, may reject offers, if it is in the best interest of the County. Competitive bids are received as identified in the advertisement, opened, read and the best bid accepted.

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## **Trade-Ins, Donations, Returns**

### **3. Trade-Ins**

A trade-in can be defined as exchanging an existing asset as part of an agreement to acquire a new asset. Commissioners' Court of a county may: "Offer the property as a trade-in for new property of the same general type if the Commissioners' Court considers that action to be in the best interest of the county. (See Texas LGC § 263.152 (a) (2))

If the trade-in option is used, then a request for trade-in must be presented to county commissioners' court for approval. Trade-In allowance documentation must be provided by the vendor and included as part of the agenda package. Trade-In allowance information must be included in the P.O. by the Purchase Order Administrators.

Trade-In value, if any should be included in an asset's cost. Example: Purchase cost + trade-in value of old asset = total cost of asset.

After obtaining a trade-in allowance from a vendor, the department submitting a requisition should ensure that the County asset #, description and trade-in allowance of the old item are entered as a caption and clearly printed in the Purchase Order under the description of the new item being acquired.

### **4. Donations**

The Commissioners' Court: "May dispose of the property by donating it to a civic or charitable organization located in the county if the Commissioners' Court determines that trying to sell the property would result in no bids received or the bid price is less than the county's bidding related expenses; the donation serves a public purpose; or the organization provides the county with adequate consideration related to transportation or disposal expenses related to the property." (See Texas LGC Ch. 263.152 (a) (4)).

### **5. Returns**

If it is determined that the equipment is defective and needs to be returned, a credit memorandum or refund check must be sent to the County Auditor's Office for acceptance and to deposit the refund in the original budget account. A copy of the documentation must be forwarded to the attention of the Fixed Asset Division so that the asset records in the County's Alio Inventory System can be updated to reflect the return of the asset. The asset number, serial number and description of the item must be included otherwise the item will remain in the department's inventory.

## **Discarded, Salvage, Missing Assets**

### **6. Discarded/Waste Property**

Discarded waste means property which is incapable of performing its intended function, and has no value for any other purpose. These materials are of no value to the county other than through recycling or disposal. **(See Texas LGC § 263.152 (a) (3)).**

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## 7. Salvage

"Salvage property – means personal property, other than items routinely discarded as waste that because of use, time, accident, or any other cause is so worn, damaged, or obsolete that it has no value for the purpose for which it was originally intended" **(See Texas LGC § 263.151.1).**

## 8. Missing Assets

The user department shall contact the Fixed Asset Division when an item is identified as "missing" and the department cannot prove that theft occurred. Assets identified as "missing" shall not be immediately removed from the inventory listing, but shall be retained until a thorough search can be made to determine that the asset is not located elsewhere in the county. The user department is required to make a thorough and adequate search for the missing item and document steps taken to locate the asset.

After the initial physical inventory certification is provided to a County Department, Items not located during subsequent inventories will be subject to a timeframe before allowing any removal of assets from inventory.

To allow sufficient time to find unlocated equipment, "missing" assets will be retained on the inventory list for a minimum of three years. For each inventory period during the "three year" period, the department is required to again make a thorough and adequate search for the missing item.

After three successive inventories in which a missing item is not located, the responsible Elected/Appointed Official or Executive Manager shall provide a memo to the Purchasing Agent and the Commissioners' Court outlining the circumstances surrounding the missing item. The Elected/Appointed Official or Executive Manager shall also jointly present to the Commissioners' Court voting session in which the Purchasing Agent makes a request of the Commissioners' Court to remove the item from inventory.

## Stolen Assets, Scrap Metal, Disposition by Destruction

### 9. Stolen Assets

The elected/appointed official or department head shall report stolen items from their department immediately to the Hidalgo County Sheriff's Office, the County's Safety Division, and shall complete an incident report. The user department shall send a copy of the incident report to the Fixed Asset Manager. A replacement should not be requested until after 90 days to allow for item recovery. An official or department head shall request an agenda item to report loss, request replacement if necessary, and seek approval to remove the item from office's fixed asset listing. Recovered items are similarly reported to Commissioners' Court. The user department shall notify the Fixed Asset Division if the item has/has not been recovered so that the inventory records may be adjusted. **Use Asset Disposition Form FA.006.**

### 10. Scrap Metal

Accumulation of metal objects that were part of old building structures, metal parts from a/c units, or parts of trashed items, may be disposed by using the services of the County's contracted scrap metal

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company. The request for disposition should be presented to County Commissioners' Court for approval. The request should include a list of any items that may have a County asset number, and/or serial number, and a complete description to ensure proper removal of such items from the County's Inventory System.

All scrap metal items that have been declared surplus for disposition, should be transferred to Facilities Management for proper disposal. Facilities Management personnel will separate the units as:

1. Metal
2. Copper
3. Aluminum

Facilities Management may sell the scrap metal in the open market or to the county's contracted scrap metal company. All proceeds from the sale of scrap metal will be deposited in the county's General Fund.

### **11. Disposition by Destruction**

Items that may constitute a liability to the county, such as weapons, bullet proof vests, law enforcement uniforms, emergency light bars, badges, computer hard drives, and items that are so worn, obsolete, broken, and no longer useful for their intended use, shall be presented to County Commissioners' Court to be approved for destruction. (Please indicate County asset number, description, serial number, and reason for the listed items to be destroyed).

### **Abandoned and Unclaimed Property, Cannibalization, Real Estate Properties Disposition.**

#### **12. Abandoned and Unclaimed Property**

Abandoned and Unclaimed property seized by a peace officer is temporarily held and disposed of at auction with the proceeds deposited in the County Treasury as outlined in **article 18.17 of the Code of Criminal Procedure.**

#### **13. Cannibalization**

In general, assets should not be cannibalized for parts unless it is in the best interest of Hidalgo County to do so because a need exists for the cannibalized parts or will exist within the near future. All parts which have a common use shall be considered recoverable and candidates for cannibalization. Examples of such items include: motors, chains, gears, and subassemblies commonly sold as reconditioned or rebuilt parts.

After all useful parts of the cannibalized asset have been used the asset must then be transferred to Surplus for disposal. The user department shall indicate in the "remarks" column of the Hidalgo County Asset Transfer Form whether or not an item has been cannibalized and the component(s) that have been removed. This assists the Fixed Asset Manager in appropriately noting the condition

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of an asset when it is sold at auction or in determining whether or not it can be removed from the department's inventory.

#### **14. Real Estate Properties Disposition**

Real property owned by the County shall be disposed of in accordance with the **Texas LGC Chapters 253.001, 253.008, 272.001, 263.001, 263.007, or 263.008** as applicable.

A request to place the property for sale should be presented to County Commissioners' Court for review and approval. After the review, County Commissioners' Court may make a final determination on the proposed sale.

Beginning in Fiscal Year (FY) 2014, all Real Estate Property approved by County Commissioners' Court may be forwarded to the Contracted Real Estate Broker for Final Disposition.

### **CONCLUSION**

While no set of procedures or policies can address all circumstances, this manual has been prepared to serve as a guideline and reference for questions related to the management of County fixed assets.

It is not the purpose of this manual to cause hardship to any person, but to provide for a better understanding of the importance of fixed asset responsibilities and controls.

Any issue not specifically addressed by this manual should be directed to the Purchasing Agent prior to any action being taken by the department.

All furniture, equipment and machinery must be used for county business only.

The law is very specific concerning the use of the public property. The purpose of this manual is to make everyone aware of these laws and to help prevent misuse of county-owned property.

The protection of property is outlined in Section 31.11 (a) of the Penal Code of Texas.

By establishing standards for property control, the job of controlling and managing county property will be made easier for all concerned.