

Title: Capital & Small and Attractive Assets	Policy Number: POL 130.003
Reference(s): RCW 70.46 – Health Districts Washington State Auditor's Office, <i>Budgeting and Reporting System</i> (BARS) Part 3, Chapter 3 Snohomish Health District Division of Responsibilities	Effective Date: Supersedes: Res. 13-11: Financial Policy (2013-08-13) POL 130.003 - Surplus Property (2018)
Approved By: Stephanie Wright, Chair, Board of Health	Revised Date:

PURPOSE:

To ensure the responsible use, management, and disposition of capital and small and attractive assets by Snohomish Health District in alignment with the Washington State Auditor's Office.

PHILOSOPHY:

The District has an inherent responsibility to safeguard its assets and to develop a system of asset management that considers oversight and control in addition to the short-term and long-term maintenance, repair, and replacement of these assets for continued performance and reduced life cycle costs.

DEFINITIONS:

Accountability: The obligation to demonstrate good management of or control over assets for which the District is responsible.

Asset Management: Best practices used in managing the performance, risk, and expenditures on capital and attractive theft sensitive assets in an optimal and sustainable manner throughout their lifecycle covering planning, design, construction, operation, maintenance, and disposal.

Budgeting, Accounting, and Reporting System (BARS) Manual: The Washington State Auditor's Office (SAO) designed and manages the chart of accounts for local governments within Washington State called BARS. The BARS Manual prescribes accounting and reporting for local governments in accordance with RCW 43.09.200.

Capital Assets: Assets that have a useful life of over one year and a cost of \$5,000 or greater including installation, shipping and/or sales tax. Examples include land, buildings, vehicles, artwork, improvements, machinery, and equipment.

Capitalize: To report an expenditure for real and personal property or intangible assets as a capital outlay on the balance sheet. These expenditure transactions are coded to 594 and 595 BARS account codes.

Depreciation: Depreciation is an accounting method of allocating the cost of a tangible or physical asset over its useful life or life expectancy. Depreciation represents how much of an asset's value has been used up over time.

Infrastructure: The system of essential physical structures and associated components that allow the District to function including the building, land, and improvements to those systems.

Non-infrastructure: Assets that support and contribute to the District such as artwork, furniture, equipment, and vehicles.

Non-Depreciable Assets: Land and artwork values do not typically depreciate over time and are not depreciated.

Physical inventory: The physical function of verifying and documenting the existence and location of assets.

Salvage value: The estimated book value of an asset after depreciation is complete, based on what a company expects to receive in exchange for the asset at the end of its useful life.

Small and Attractive Assets: Items that fall below the capitalization threshold of \$5,000 but more than \$250 that often have a heightened risk of theft. This includes, but is not limited to, laptops, tablet computers, cell phones/smartphones, video and sound equipment, tools and equipment.

Straight Line Method of Depreciation: Depreciation is calculated by dividing the difference between an asset's cost and its expected salvage value by the number of years it is expected to be used.

Useful life: An estimate of how long an item of property can be expected to be usable for the District.

POLICY:

Goals of this policy are to:

- Monitor and safeguard Health District assets.
- Comply with state regulatory requirements.
- Provide accurate information for financial reports.
- Provide information for insurance coverage.
- Articulate practices to account for assets owned by the Heath District, in accordance with generally accepted accounting principles.

A. INVENTORY TRACKING & MAINTENANCE

1. An inventory of capital and small and attractive assets will be maintained by the District's Finance Program.
2. All inventories after January 1, 2022 will contain:
 - a. the physical location of the asset,
 - b. funding source (i.e. Federal, State, other grant and/or flexible funding),
 - c. program charged,
 - d. location and,
 - e. where applicable, the asset tag number.
3. Inventories for purchases prior to January 1, 2022 will contain information in A(2) to the best of our ability.
4. The capital asset inventory will include calculations of annual depreciation and accumulated depreciation and net book value of the assets.
5. All non-infrastructure and small and attractive assets will be tagged with numeric tags containing the District's name and unique identifier upon purchase with one exception.
→a. Computers, laptops and similar small and attractive assets purchased, managed and maintained by Snohomish County Department of Information Technology will be inventoried and tracked in accordance with the Snohomish County Code, Chapter 4.46, Procedures for Management and Disposition of County-Owned Personal and Real Property

B. PHYSICAL INSPECTION OF INVENTORY

2. A physical inventory will be completed of all capital & small and attractive assets on the following schedule:
 - a. Capital assets – once every three years
 - b. Small and Attractive assets – annually
 - c. If assets were purchased with federal funds an inventory will be conducted on those assets every two years in compliance with 2 CFR 200.313.
3. Physical inventory checks will be conducted by the Accounting Supervisor or designee
4. If there are noted changes to the condition of the asset that may impair its use, notation should be made in the asset inventory.
5. Any loss of assets must be reported to the Finance Manager and Human Resources.
6. Revised Code of Washington (RCW 43.09.185) requires that the District immediately notify the State Auditor's Office in the event of a known or suspected loss of public funds or assets or other illegal activity.

C. DEPRECIATION METHOD AND EXPECTED USEFUL LIFE OF ASSETS:

1. Depreciable capital assets are depreciated using the straight-line method of depreciation.
2. Depreciation is calculated using a half-year convention on the year it is purchased:
 - a. assets acquired between January and June receive are depreciated for a full year
 - b. assets acquired between July and December are depreciated for ½ a year.
3. Depreciation is only reported in the GAAP annual financial report prepared for the Washington State Auditor. It is not recorded in the general fund for internal reporting.
4. Improvements to capital assets should be capitalized if the useful life of the asset is substantially extended, and/or the cost results in a substantial increase in the capacity or efficiency of the assets. Otherwise, the cost should be expensed as repair and maintenance.
5. Salvage values of computer software, furniture, equipment, and vehicles are estimated to be zero at the end of the asset's life.
6. The estimated life of acquired assets are assigned in the following manner for purchases prior to January 1, 2022:

<u>Asset Category</u>	<u>Estimated Useful Life</u>
Building	5 - 50 Years
Computer Software	3 Years
Furniture & Equipment	7 - 20 Years
Leasehold Improvements	7 - 20 Years
Vehicles	6 Years

7. For purchases after January 1, 2022, The District shall the following estimated lives:

<u>Asset Category</u>	<u>Estimated Useful Life</u>
Building	50 Years
Building Improvements	7-20 Years
Computer Software (on premise)	3 Years
Office Furniture, Fixtures & Equipment	7 Years
Vehicles	5 Years

D. DISPOSITION

1. Authority for the disposal of Capital Assets will follow the approval thresholds in POL 130.002 – Purchasing, Table 1 and be based on the net book value of the asset with the following exceptions:
 - a. Approval by the Board of Health shall be required for:
 - i. surplus or disposal of automobiles not fully depreciated or less than ten years old.

- ii. item acquisitions over \$10,000 when the item was purchased within the last ten years and not fully depreciated.
 - b. Item acquisitions below \$10,000 or items having fully depreciated will receive an email notification.
- 2. Final disposal of Small and Attractive Assets can be approved by either the Finance Manager or Human Resources with the following criteria:
 - a. If the item is needed in another District department, then the item will be transferred to that department, including in the inventory log.
 - b. If the item is currently not needed but may be of use to District at a later date, the item will be moved to a storage area and held.
 - c. If the item is purchased with federal or state grant funds, assets must be returned to the grantor or disposed of with the written approval of the grantor in compliance with 2 CFR 200.313 and/or applicable contract language.
 - d. If the item does not fall into any of the above categories, then the item(s) may be recycled or sold at public auction.
- 3. The Finance Manager or Administrative Officer (or designee) will determine the means that will maximize the District the greatest return.
- 4. Any asset tags of disposed assets should be removed and returned to Finance prior to disposal.
- 5. For assets assigned to individual employees, the asset tag numbers will be recorded in the employee's Human Resources record and amended by transfer or retirement of the asset as necessary when terminations occur.
- 6. Public sale of surplus items:
 - a. The District will set a minimum value and publicly advertise the sale information for not less than two weeks prior to the due date of bids.
 - b. Award will be made to the highest bidder.
 - c. Employees and relatives of District employees will not be allowed to bid on surplus items.