

ACCOUNTING AND FINANCIAL REPORTING POLICY

AC-13 DISPOSITION OF PROPERTY

(Revisions: 1/1/2023, 02/01/2013)

I. STATEMENT OF THE POLICY

The purpose of this policy is to establish standards for governing the activities used to dispose of Port property and is intended to support the following purposes:

1. Achieve cost savings to the Port (taxpayers) through centralized redistribution and disposal of unneeded property.
2. Create an audit trail that verifies and validates appropriate property disposal as required by legislation, and Generally Accepted Accounting Principles (GAAP).
3. Maximize the return on investment for the disposal of Port's property.
4. Make the disposition of property standards within the Port as consistent as possible.

Authority

- RCW 39.33, Intergovernmental disposition of property
- Resolution 3605, as amended by Resolution 3628
- GASB No. 62, Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements
- CC-6, Loss Prevention Policy.

NOTE: Upon adoption of the policies and procedures in this Series, each department should ensure proper segregation of duties are in place, i.e. no one Personnel should be able to provide transaction authorization, maintain recordkeeping and have custody of the related assets. Please refer to AC-5a, paragraph .03.

Control Objective: Financial information is complete and appropriately presented in compliance with prescribed accounting standards, and all information that is necessary for fair presentation and compliance with professional standards or legal requirements is disclosed.

Scope

- .01 This policy does not apply to property or items meeting any one of the following characteristics.
- a) Property related to land, easements and street vacations.
 - b) **Abandoned property** that is not owned by the Port. For example, abandoned vessels at marinas, abandoned vehicles at a parking garage.
 - c) **Consumable** items such as food, and office supplies.

Property Definitions

- .02 This policy applies to **property** which is “any fixed or movable physical object used for operations”. Essentially, property refers to any items that are owned by the Port, regardless of acquisition method or cost treatment (i.e. capitalized or expensed when acquired).
- a) Property acquired meeting the Capitalization Threshold outlined in Policy AC-8b, Tangible Assets Policy, for **capital projects** or as identified as **capital assets** in the PeopleSoft Project Costing System and the Asset Management System, respectively.
 - b) Property acquired not meeting the Capitalization Threshold, but held for operations and maintenance, mostly **inventory**, is identified in the Inventory System. Inventoryⁱ, generally are operating supplies, and ordinary maintenance material/parts which is classified as current assetⁱⁱ using average cost method for accounting and financial reporting purposes. Inventory is expected to be consumed within a year, except for custom order or specialty items such as a motor for the STS train at the Airport.
 - c) Property that is considered as “**small and attractive items**” as outlined in Policy AC-14 and tracked by each department. These items are acquired with departmental operating/non-operating budgets including, but not limited to, technological equipment, power tools, and weapons.
- .03 Property should be disposed when it no longer serves its intended purpose, no alternate future use within 12 months exists, it is not considered a specialty item, and/or the Port no longer requires it to maximize the return on investment for the disposal of Port’s property. This may result from one of the following occurrences.
- a) **Excess** – property which is excess to Port’s requirements or needs.
 - b) **Obsolete** – property which is outdated because of changes in operation or technology, or replaced by new/upgraded property, such as voluntary demolition during a capital improvement project, or replacement of a new vehicle.
 - c) **Junk** – property that is not in operating condition (damaged, and/or aged beyond economical repair). After salvaging any working parts, the remaining value will be classified as a basic scrap commodity with no market value.
 - d) **Scrap/razed** – property on hand which is unsuitable, in its original form, for continued departmental use and has no market value except for basic material content or the “as-is” market value is lower than the scrap value.
 - e) **Destroyed** – property destroyed involuntary (such as during a snow storm or earthquake) and has no market value.
 - f) **Stolen/Loss** – the final disposition of property is unknown, see paragraph .40
- .04 Property meeting one of the characteristics stated in paragraph .03(a) to (e) should be disposed using one of the methods outlined in .09 below.

Authorization

- .05 Port property must NOT be sold/transferred to any Port Commissioner or Port employee or to members of their immediate families, unless specific approval of the Port Commission is obtained.ⁱⁱⁱ For example, a retiring police officer with at least five years of service will be provided the officer's assigned service weapon along with a display box as authorized by the Commission via the provision of a collective bargaining agreement.
- .06 Except for redistribution within the Port or scrap, demolition/destruction, or recycle, authorization from the Commission^{iv} must be obtained for surplus of all property exceeding the statutory limit. Surplus of property not exceeding the statutory limit as established annually by Port Commission Resolution may be authorized by the Executive Director or his/her delegate per EX-2A, however, in advance of such surplus, the Executive Director or delegate must itemize and list surplus property and make written certification to the Commission that the listed property is no longer needed for district purposes (Note: this applies only to property that is to be sold/auctioned, or conveyed. It is not necessary when property is to be junked/scrapped/recycled. If lost or stolen, authorization is not necessary, however, it must be reported to SAO via the Port's loss reporting site).

Any large block of the property having a value in excess of the statutory amount should not be broken down into components to circumvent this threshold. For example, a vehicle worth \$30,000 should not be broken into small components to surplus, such as engine, seats, etc. to circumvent this threshold. On the contrary, 5,000 units of keyboards and each of them worth \$10 should not be construed as required for Commission authorization as each item is worth less than the statutory limit.,

Each January of the fiscal year, the Director of Commission Services obtains Commission approval for an adjustment to the CEO's statutory property surplusing limit. Please go to Disposition SharePoint Site for the most updated statutory limit approved by the Commissioners. [Dispositions - Home \(sharepoint.com\)](#)

.07 **Reporting Surplus Property**

.08 **The Department Manager/Director** currently having custody of the property must ensure the following guidelines are followed:

- a) Complete STEP 1 of the Disposition Form, including making sure the estimated market value (if the property is not scrap/demo/recycle) is reasonable and the most appropriate disposal option is selected. The estimated market value determines whether Commission authorization is required. If Commission authorization is required, the Department Manager/Director must coordinate with the Commission Office for the required documentation such as commission memo and scheduling presentation to Commission meeting. If the items to be disposed are within the Executive Director's delegated statutory authority, the Department Manager/Director must coordinate with the Executive Office for the required Surplus Certification to Commission, a copy of which is to be included as supporting documentation for the surplus and without which, the physical disposal may not occur.
- b) Complete STEP 2 of the Disposition Form by obtaining authorization for the disposition based on the delegation of authority as contained in Policy EX-2A.
- c) If applicable, obtain grantor approval to surplus items acquired by federal grant and procedures on handling the proceeds, if any, in writing. For inquiry to determine whether a surplus item was acquired by federal grant, please contact the Grant Accountant in the Accounting & Financial Reporting (AFR) department. Guidelines for disposal must be followed in accordance with the terms and conditions stipulated in the grant agreement.
- d) Send the approved Disposition Form along with supporting document discussed in part (c), if applicable, to the department handling the physical disposal of the surplus item, AND to the following department(s) as applicable depending on their responsibility to track its asset.
 - Mailbox, Inventory for capital asset
 - Aviation/Marine Maintenance for material and supplies
 - ICT Service Desk for electronic equipment
 - Police Department for firearms, ammunition, shell casings
 - Fire department for fire department related surplus property
 - Fleet management for rolling stock
 - Department representative to update SharePoint small and attractive items site
 - For grant funded equipment, the department responsible for the grant and reporting to the granting authority
 - For bond funded items, contact Corporate Finance Manager or Assistant Manager
- e) Contact Aviation Maintenance or Real Estate Marine Maintenance to coordinate logistics and delivery of the surplus property depending on the location of the item. Certain labor agreements must be complied with for transportation.
- f) Documentation that the disposal has occurred by one of the following.

- The receipt of the property for sale or signed bill of sale (attachment to the Disposition Form)
 - The department handling the physical disposal of the surplus item or the vendor or agency carried out the destruction (signature on the disposition Form)
- g) If proceeds are expected from the surplus action, send the Disposition Form to Central Procurement Office (CPO) after delivery is completed. **CPO personnel will follow up with the collection of proceeds.** All payments related to sale of surplus items, including recycling, must be made directly to the “Port of Seattle” lockbox, “Port of Seattle, PO Box 34249, Seattle, WA 98124-1249”, within 24 hours upon receipts. If proceeds are not made directly to the lockbox, “Check and/or cash deposit” form must be filled out and the associated proceeds must be submitted to AFR Revenue Services within 24 hours upon receipts. Proceeds received from surplus item(s) originally acquired by federal grant must remit to the grantor agency.
- h) Upload the Completed Disposition Form and supporting documentation to the “Disposition SharePoint Site” [Dispositions - Home \(sharepoint.com\)](http://sharepoint.com) within 30 days from the disposition to complete the surplus process regardless of the collection of the proceeds.

Method of Disposal

.09 There are several options for disposing Port’s surplus property. These options range from transferring the property to other department/project/agencies to scrapping it for the raw materials. The disposal process typically falls into one of the following transaction categories:

- a) Redistribution within the Port
- b) Intergovernmental Transfer/Conveyance (including non-cash exchange).
- c) Trade-in
- d) Public sale
 - Public competitive bid/ Online auction
 - Public auction
 - Soliciting offers from at least three (3) parties whenever possible
- e) Recycled
- f) Destruction/disposal
 - Demolition resulting from replacement capital project
 - Discard/Toss
- g) Stolen/Lost

Redistribution

.10 Property is allowed to be transferred within the Port, including but not limited to, between different departments (ORG), subclasses, and projects.

- .11 Property purchased by Airport Development Fund (ADF – 03040 fund) should only be transferred to departments outside of the Aviation Division when fair market value, i.e. cash fund transfer completed by AFR (Capital Services Team for Capital Assets and General Ledger Team for non-Capital Asset) upon receipt of Property Transfer form, is received or similar item is replaced for Aviation as an in-kind exchange (e.g. cell phones, laptops). This is to prevent revenue diversion.
- .12 Redistributing property purchased with grant fund(s) to other department without prior approval of the grantor agency is prohibited.
- .13 To complete the redistribution, the Property Transfer Form must be completed and signed off by both the Department Manager/Director relinquishing the property and the Department Manager/Director receiving the property, except for ICT related items where redistribution is processed through ICT Service Request Protocol in lieu of Property Transfer Form, changes of location of ICT related items should be updated upon completion of the ICT Service Request.

The signed Property Transfer form should be routed to the following departments depending on their responsibility to track its asset.

- a) Mailbox, Inventory for capital asset
- b) Aviation/Marine Maintenance for material and supplies
- c) ICT Service Desk for electronic equipment
- d) Police Department for firearms, ammunition, shell casings
- e) Fire department for fire department related surplus property
- f) Fleet management for rolling stock
- g) Department representative to update SharePoint small and attractive items site
- h) For grant funded equipment, the department responsible for the grant and reporting to the granting authority.

Intergovernmental Transfer / Conveyance

- .14 Sale or transfer of property to another governmental agency is governed by RCW 39.33 and is the preferred method of disposal when an opportunity exists to support economically disadvantaged communities. Public notice and hearing is required if the surplus property has an estimated value more than \$50,000.
 - a) The Port must receive commensurate value for the items transferred
 - Transfers to other governments outside the Port district (King County) by direct conveyance in lieu of a public auction are limited to governments within the State of Washington
 - If transferred to another government, the value received may include accomplishment of a Port purpose or the avoidance of cost in lieu of cash (within the Port district - King County). Any costs associated with a conveyance to another government, such as shipping/delivery or

maintenance/repairs to the property in preparation for transfer, are the responsibility of the receiving government.

- b) A written “Hold Harmless” agreement is required for all conveyances. The agreement must be approved by both Legal and Risk Management and must relieve the Port of any and all future liability related to the transfer and use of the conveyed equipment and must be received prior to the transfer.
- .15 The Department Manager/Director currently having custody of the property must consult with the Legal Department to ensure the requirements in RCW 39.33, Intergovernmental disposition of property, are met, and/or drafting the bill of sale.
- .16 Items procured with grant fund(s) may not be transferred to another governmental agency without prior approval from the grantor authority
- a) For AIP or PFC funded assets valued at \$5,000 or more at the time of transfer, reimbursement to the FAA may also be required (in accordance with the Criteria for Disposing or Replacing AIP Funded Equipment outlined in 5-62 and 5-63 of the AIP Handbook). When such reimbursement is required, it should be added to the value of the transferred assets when determining the commensurate value to be received in return.

Trade-in

- .17 Trade-in occurs when the Port exchanges materials, supplies, or equipment for some concession (such as discounts on the new property, cost avoidance on the removal/disposal of the property, or any combination) when acquiring new and like property, as permitted by the CPO.

Examples of these transactions are listed below:

- a) ICT/Computer replacement procurements (vendor agrees to remove old equipment)
 - b) Large equipment procurement (e.g. tractors)
 - c) Building systems replacement (e.g. HVAC removal)
 - d) Weapon upgrades
- .18 Items procured with grant fund(s) may not be traded in without prior approval from the grantor authority.

Sale to the Public

- .19 All property that is restricted to law enforcement personnel only or other official security personnel shall not be made available for public sale.
- .20 Surplus property offered for sale to the public must be accomplished by way of competitive bid.
- .21 Surplus property to be sold must be itemized and approved by the custodian department if it is no longer needed for Port purposes, through completion of the Property Disposition Form.
- .22 Sale of surplus property to the Public can be accomplished in one of the following ways, with the assistance of CPO.
- a) Public auction (e.g. Murphy's, Washington State Surplus)
 - b) Online auction (e.g. Property Room, Bidadoo)
 - c) Advertised bid
 - d) Soliciting offers from at least three (3) parties whenever possible

Only CPO personnel or authorized agents/brokers/dealers can carry out the auction or sale of Port property. There are circumstances when surplus property does not sell or the cost of sale or auction exceeds the proceeds. When this occurs, the surplus property shall be deemed disposed, rather than sold.

Recycle/ Destruction

- .23 When the department requests disposal by destruction, the intrinsic (i.e. scrap) value must be considered. Frequently, an item may not be useful for its intended purpose but still has scrap or recycle value. It is in the Port's best interest to destroy through scrap or recycling rather than paying disposal costs. Also, it is in the Port's best interest to conduct all disposal in the most environmentally appropriate and friendly manner. Recycling is preferred to trash. Recycle must be conducted through Port's contracted recycling vendor. Contact CPO for the most current list of recycling vendor on contract with the Port.
- .24 All "Security" equipment, for examples, bomb truck, night vision goggles, etc., that is slated for recycling shall be destroyed beyond use prior to being sent to recycle so that it is impossible to be used for its original intended purpose and function.

Disposal of Technology related equipment

- .25 Technology related equipment constitutes a separate classification of disposal for two reasons: data security and environmental protection. The most common technology related equipment that must be handled differently includes, but is not limited to:
- a) Computers (CPU) including desktop, laptop, tablet, server
 - b) Telephone systems and handsets, cellular phones, smart phones
 - c) Monitors
 - d) Network printers
 - e) Security video cameras

All technology related equipment must be disposed through the Information & Communication Technology (ICT) Department to ensure proper disposal and data destruction.

For non-ICT tracked technology related items, the general disposition procedures described paragraph .10 to .24 should be followed.

- .26 Departments outside of ICT must submit an ICT Service Request for equipment pick up for disposal.
- .27 ICT is responsible for selecting the most appropriate disposal option stated in paragraph .09.
- .28 For item(s) to be disposed, ICT is responsible for completing the Disposition Form.
- .29 For item(s) to be reused within the Port, ICT is responsible for handling the transfer of tracking of the equipment.

Fleet vehicles & equipment

- .30 Transfer and disposal must be coordinated through the appropriate Fleet Manager, see EX-17 Fleet Management Policy, 6.13
- .31 When completing the Disposition Form, the description of the item must include the following:
 - a) Vehicle Make, Model, Year, and POS tag number
 - b) Vehicle Identification Number (VIN)
 - c) Mileage
 - d) Check “Y” when title document is available, if not, a replacement title must be requested by the Fleet Manager before authorization is obtained
- .32 Once authorization of the Disposition Form is obtained, the same approver can sign (but not date) the associated Certificate of Title, and submit the signed title to the Fleet Manager to coordinate the delivery of the vehicle for public sale.
- .33 All Port’s marking and stickers must be removed before sale to the public or disposal.
- .34 The Fleet Manager will send the original, signed title to the authorized agents/broker/dealer to carry out the sale of the vehicle. If the property is sold directly to a customer, the Fleet Manager will relinquish the title upon receipt of the bill of sale.
- .35 All Port’s agents/broker/dealer is required to notify CPO once the sale is completed along with seller’s report filed with Department of Licensing. CPO will forward the copy of seller report to Fleet Manager.
- .36 Fleet Manager must monitor all seller report is filed with Department of Licensing for vehicle sold within prior 6-months. Any missing seller report must be completed and filed with Department of Licensing by Fleet Manager in a timely manner.

Firearms, ammunition, shell casings

- .37 All Port owned firearms, ammunition, shell casings qualified as surplus property must be surrendered to the Port of Seattle Police Department. Disposal of any of this type of inventory must be accomplished following strict federal, state and local laws, regulations and procedures.
- .38 Disposal of these items is either accomplished through trade-in to a licensed gun dealer towards the cost of new weapons or by way of acceptable destruction methods, including but not limited to melting, and crushing, etc. but only through a commercial forge under police supervision with a case report documenting the action.

Security related items

- .39 Disposal of security related items that are only available to the Police Department, (such as two-way radios, night vision goggles) Security Department, or others, must conform with strict federal, state and local laws, regulations and procedures, such as prohibition from exporting to foreign countries, or sale to general public.

Lost or Stolen Property

- .40 Since the final disposition of missing or stolen property is unknown, the department discovering the property lost or stolen must report the incident to the Police Department in accordance with CC-6, Loss Prevention Policy stated in the Code of Conduct. The department discovering the property lost or stolen should also contact Risk Management to determine whether the lost property may be eligible for an insurance claim. Risk Management will also report losses to the State Auditor's Office, as required
- a) The Port is not required to report the following to the State Auditor's Office:
- Reasonable inventory shortages identified during a physical count.
 - Breaking and entering or vandalism of property.
- .41 Only the Police Department, Risk Management, Workplace Responsibility Office and AFR have access to post and file reports of incurred/suspected losses on the Port's "SAO Loss Reporting" SharePoint site which in turn immediately notifies the State Auditor's Office.
- .42 Depending on the type of asset, the following departments should also be notified of the missing property so the missing item can be removed from the related tracking database.
- a) Mailbox, Inventory for capital asset
b) Aviation/Marine Maintenance for material and supplies
c) ICT Service Desk for electronic equipment
d) Police Department for firearms, ammunition, shell casings
e) Fire department for fire department related surplus property
f) Fleet management for rolling stock
g) Department representative to update SharePoint small and attractive items site
h) For grant funded equipment, the department responsible for the grant and reporting to the granting authority.

Accounting and Financial Reporting

- .43 For dispositions related to capital assets, depreciation must cease by the end of the month when the asset is taken out of service. Capital assets should be removed from the PeopleSoft Asset Management System at the date of disposition or date of discovery of the disposition, whichever the later date.
- .44 For dispositions related to inventory, inventory should be removed from the General Ledger balance at the date of disposition.

- .45 If the acquisition was initially charged to expense (either operating or non-operating), there is no accounting impact.
- .46 The service award of retiring police officers' service weapons and display box, must be reported to the AFR Payroll Administration and Human Resource Development (HR&D) departments prior to the officer's last day of work for recording as taxable benefit.
- .47 Any gain or loss on disposition must be recorded to the following accounts accordingly.
- a) 70150 Gain/Loss Sale Of Assets
 - b) 70170 Sale of Inventory/Scrap

ⁱ GASB No. 62, paragraph 189

ⁱⁱ GASB No. 62, paragraph 30

ⁱⁱⁱ Resolution 3605, as amended, Section 18.2

^{iv} Resolution 3605, as amended, Section 18.1