

**MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS
MONTGOMERY COUNTY HOSPITAL DISTRICT**

The regular meeting of the Board of Directors of Montgomery County Hospital District was duly convened at 4:00 p.m., November 3, 2009, in the Administrative offices of the Montgomery County Hospital District, 200 River Pointe Suite 200, Conroe, Montgomery County, Texas

1. Call to Order

Meeting called to order at 4:00.

2. Invocation

Mr. Posey led the invocation.

3. Pledge of Allegiance

Mr. Fawn led the pledge.

4. Roll Call

Kenn Fawn
Harold Posey
Georgette Whatley
John Hennigan
Hans Ambrosia
Francis Bourgeois
Sandy Wagner

5. Public Comments

Jon Bauman, Member of the Conservative Coalition Montgomery County, speaking regarding Admin Building

Scott Baker, Member of the Conservative Coalition Montgomery County and Montgomery County Eagle Forum, speaking regarding building

Adrian Heath, speaking regarding building

6. Special Recognition

• **Employee of the Month**

Deferred to next month

7. Consider and act on ratification of contracts with additional network providers for indigent care (Mrs. Wagner, Chair-Indigent Care Committee)

Mr. Gauen, Gauen & Associates, presented a report regarding new network providers. Mrs. Wagner

Ms. Whatley made a motion to approve \$13,750 plus shipping to sole source vendor Rosetta Stone. Mr. Posey offered a second and the motion passed unanimously.

12. **EMS Director Allen Sims' Report to include updates on EMS stations, staffing, performance measures, staff activities and psychiatric patient transport to Tri County MHMR**

Mr. Sims presented a report.

13. **Healthcare Assistance Program Manager Penny Buchanan's Report to include regulatory update, outreach, eligibility, service, and utilization**

Ms. Buchanan presented a report.

14. **Consider and act on Healthcare Assistance Program claims from Non-UPL providers processed by Boon-Chapman (Mrs. Wagner, Chair - Indigent Care Committee)**

Mrs. Wagner made a motion to approve the claims for the Non-UPL providers processed by Boon-Chapman. Ms. Whatley offered a second and the motion passed unanimously.

15. **Consider and act on estimate of voluntary contributions to the UPL account of Healthcare Assistance Program claims processed by Boon Chapman (Mrs. Wagner, Chair – Indigent Care Committee)**

Mrs. Wagner made a motion to approve the contributions to the UPL account for Healthcare Assistance Program claims processed by Boon Chapman. Ms. Whatley offered a second and the motion passed unanimously.

16. **Presentation of Financial Report for the year ended September 30, 2009 – Michael J. Nicknish, CFO, report to include Financial Summary, Balance Sheet, Income Statement, Supporting Statements, and Supplemental EMS Billing Information**

Mr. Nicknish presented a report.

17. **Presentation of Investment Report for the quarter ended September 30, 2009 – Michael J. Nicknish, CFO**

Mr. Nicknish presented a report.

18. **Consider and approve the Fixed Asset Capitalization Policy (Mr. Posey, Chair – Finance and Budget Committee)**

Mr. Posey made a motion to approve the Fixed Asset Capitalization Policy. Ms. Whatley offered a second and the motion passed unanimously. (attached)

19. **Consider and act on financing plan for the construction of the proposed Administration Building, Service Center and Station 11 and other capital improvement projects, including intent to issue bonds or other financing instruments. (Mr. Posey, Treasurer-MCHD Board)**

Mr. Posey made a motion that we pay cash from our reserve fund to pay for the construction for our

Administration Building, Service Center and Station 11. Mr. Hennigan offered a second and the motion passed unanimously.

20. Consider and act on ratification of payment of District invoices to Henry Schein, Inc. (Mr. Posey, Treasurer - MCHD Board)

Mr. Posey requested items 20 and 21 were put into one motion, agreed by Mr. Bourgeois.

21. Consider and act on ratification of District invoices (Mr. Posey, Treasurer - MCHD Board)

Mr. Posey moved to approve and ratify the invoices for payment. Ms. Whatley offered a second and the motion passed unanimously.

22. Consider and act on salvage and surplus equipment (Mr. Posey, Treasurer-MCHD Board)

Mr. Posey made a motion to declare items surplus (attached). Mr. Hennigan offered a second and the motion passed unanimously.

23. Secretary's Report - consider and act on minutes for Meeting September 22, 2009 (Mrs. Wagner, Secretary-MCHD Board)

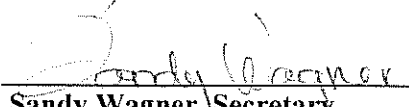
Mrs. Wagner made a motion to approve the minutes for the September 22, 2009 meeting. Ms. Whatley offered a second and the motion passed unanimously.

24. Consider and authorize staff to enter into a long-term lease with ESD #6 for property on which to build an EMS sub-station (Mr. Fawn – Chair-PADCOM Committee)

Mr. Posey made a motion to authorize staff to negotiate a long-term lease with ESD #6 for property on which to build an EMS sub-station and bring a contract back to the board. Mr. Hennigan offered a second and the motion passed unanimously.

25. Adjourn

Meeting adjourned at 6:11


Sandy Wagner, Secretary



We Make a Difference!

Montgomery County Hospital District

**Capital Asset Capitalization Policy
November 2009**

MONTGOMERY COUNTY HOSPITAL DISTRICT

CAPITAL ASSET CAPITALIZATION POLICY

Montgomery County Hospital District (MCHD) will regard capital assets as capitalized when all of the following criteria are met:

- (1) Assets purchased, built or leased have useful lives of one year or more.
- (2) The cost of the asset (including installation) is \$1,000 or more. Multiple assets whose cost are less than \$1,000 but the aggregate request or total are \$1,000 or more are capitalized.
- (3) The cost of repairing or renovating the asset is \$2,000 or more and prolongs the life of the asset.

MCHD will regard the purchase of software programs as expenditures and are not subject to the above capitalization policy. Costs associated with software maintenance and customer support are considered expenditures and will not be capitalized.

Capital Asset Definitions and Guidelines

Capital assets are real or personal property that have a value equal to or greater than the capitalization threshold and have an estimated useful life of one year or more.

MCHD has invested in a broad range of capital assets used in the District's operation, including:

- Land and improvements
- Buildings and building improvements
- Construction in progress
- Personal Property
 - Furniture
 - Equipment
 - Vehicles

Capital Asset Acquisition Cost

Capital assets should be recorded and reported in the District's capital asset software at historical cost, which includes the vendor's invoice (plus the value of any trade-in), plus initial installation costs (excluding in-house labor), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service.

For MCHD, historical costs also include ancillary charges such as freight and transportation charges, site preparation costs and professional fees. The costs of purchasing capital assets for governmental activities do not include capitalized interest.

Capital Asset Donations

GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, defines a donation as a voluntary non-exchange transaction entered into willingly by two or more parties.

Leased Equipment

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

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding lease execution costs, equals at least 90 percent of the fair value of the leased property.
- Leases that do not meet any of the above requirements should be recorded as an operating lease.

Depreciating Capital Assets

Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible (land, works of art, historical treasures).

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used. The actual date will govern when an asset was placed into service, subject to the use of a full-month for that first month (regardless of the date placed into service). An asset is considered placed into service on the date it became available for use and was being used for the purpose intended when purchased or constructed.

Depreciation data will be calculated and stored by the District's accounting department for each eligible asset. Accumulated depreciation will be summarized and posted to the accounting general ledger under the capital asset group.

Residual Value

In order to calculate depreciation for an asset, the estimated residual value must be declared before depreciation can be calculated. The use of historical sales information becomes invaluable for determining the estimated residual value. Proceeds from sale of assets must be netted against residual value in computing net gain or loss from sale.

Capital Asset Categories

Land and Land Improvements

Definition

Land is the surface or crust of the earth, which can be used to support structures. Land is characterized as having an unlimited life.

Land improvements consist of betterments, site preparation and site improvements (other than buildings) that ready land for its intended use. The costs associated with improvements to land are added to the cost of the land.

Depreciation Methodology

Land and land improvements are inexhaustible assets and do not depreciate over time.

Capitalization Threshold

All acquisitions of land and land improvements over \$5,000 will be capitalized.

Examples of expenditures to be capitalized as land and land improvements

- Purchase price
- Fair market value at time of gift
- Commissions paid in purchasing land
- Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc)
- Land excavation, fill, grading, drainage
- Demolition of existing building and improvements
- Removal, relocation, or reconstruction of property of others
- Water wells
- Right-of-way

Buildings and Building Improvements

Definition

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. Total project costs are accumulated in detail as one asset in a construction in progress account, with depreciation calculated as of the date the building is placed into service.

Building Improvement Definition

Building improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both. A building improvement should be capitalized as a betterment and recorded as an addition of value to the existing building if the expenditure for the improvement is at the

capitalization threshold, or the expenditure increases the life or value of the building by at least 25 percent of the original life period or cost. An asset that meets this definition is not entered as separate costs for depreciation purposes; the total project cost is accumulated and entered as one total in the system, with depreciation calculated as one amount from the total.

Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for buildings and improvements. Subsequent improvements that change the use or function of the building shall be depreciated.

Capitalization Threshold

The capitalization threshold for buildings and building improvements is \$50,000.

Examples of expenditures to be capitalized as buildings

- Original purchase price
- Expenses for remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired
- Professional fees (legal, architect, inspections, title searches, etc)
- Cancellation or buyout of existing leases
- Other costs required to place or render the asset into operation

CONSTRUCTED BUILDINGS

- Completed project costs
- Interest accrued during construction
- Cost of excavation or grading or filling of land
- Expenses incurred for the preparation of plans, specifications, blueprints, etc.
- Cost of building permits
- Professional fees (architect, engineer, management fees for design and supervision, legal)
- Costs of temporary buildings used during construction
- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
- Additions to buildings (expansions, extensions, or enlargements)

Examples of expenditures to be capitalized as improvements to buildings

- Installation or upgrade of heating and cooling systems
- Original installation/upgrade of wall or ceiling covering such as carpeting, tiles, paneling
- Structural changes such as reinforcement of floors or walls
- Installation or upgrade of window or door frame, upgrading of windows or doors
- Replacement of entire roof
- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)

Site Improvements

Definition

Site improvements are defined as depreciable assets that deteriorate over time. The improvements include fences, parking lots, and access roads.

Depreciation Methodology

The straight-line depreciation will be used for site improvements.

Capitalization Threshold

The capitalization threshold for site improvement is \$5,000

Personal Property

Definition

Personal property is defined as fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of acquisition and are rendered into service. Improvements or additions to existing personal property that constitute a capital outlay or increase the value or life of the asset by at least 25 percent of the original cost or life should be capitalized as betterment and recorded as an addition of value to the existing asset. (Costs of extended warranties and/or maintenance agreements, which can be separately identified from the cost of the equipment, should not be capitalized.)

Depreciation Methodology

The straight-line depreciation method will be used for personal property.

Capitalization Threshold

The capitalization threshold for personal property is \$1,000.

Examples of expenditures to be capitalized as personal property

- Original contract or invoice price
- Freight charges
- Installation charges
- Charges for testing and preparation for use
- Parts and labor associated with the construction of equipment

Building Maintenance Expense

The following are examples of expenditures *not* to capitalize as improvements to buildings. Instead, these items should be recorded as maintenance expense.

- Adding, removing and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy and/or value to the building
- Plumbing or electrical repairs
- Cleaning, pest extermination, or other periodic maintenance
- Interior decoration, such as draperies, blinds, curtain rods, wallpaper
- Exterior decoration, such as detachable awnings, uncovered porches, decorative fences, etc.
- Maintenance-type interior renovation, such as repainting, touch-up plastering, replacement of carpet, tile or panel sections; sink and fixture refinishing, etc.
- Maintenance-type exterior renovation such as repainting, replacement of deteriorated siding, roof, or masonry sections
- Any other maintenance-related expenditure which does not increase the value of the building

Other Considerations:

- (1) REPAIR is an expenditure that keeps the property in ordinary efficient operating condition. The cost of the repair does not add to the value or prolong the life of the asset. All repair expenditures are charged to the appropriate department and fund.
- (2) IMPROVEMENTS are expenditures for additions, alterations and renovations that appreciably prolong the life of the asset, materially increase its value or adapt it to a different use. Improvements of this nature are capitalized.

Examples of Repairs vs. Improvements

Repairs = Expenditures

All items—life less than one year
 All items under \$2,000
 Property maintenance, wall repair
 Replacement of machine parts to keep machine in normal operating condition
 Property restoration (rebuilding) for normal operations
 Existing building repairs
 Replacement of small sections of wiring, pipes or light fixtures
 Patching walls, minor repair of floors, painting, etc.
 Patching driveways
 Cleaning drapery, carpet, furniture
 Partial roof repair or replacement

Improvements = Capitalized Assets

Life of more than one year
 All items \$2,000 or more
 Property rebuilding
 Replacement of motor and parts that prolong the useful life
 Property restoration for something different or better
 Building regulation conformity
 Major replacement of wiring, lighting, pipes or sewer
 Installation of floor, wall, roof, wall-covering, etc.
 New driveway or major repair
 New drapery, carpets, furniture
 Replacement of entire roof

Depreciation Method—Straight Line over the following useful lives: Useful Life in Months

Land and Land Improvements	0
Site Improvements	
• Fencing and Gates.....	60
• Landscaping.....	120
• Parking Lot/Driveway/Parking Barrier.....	240
• Outside Sprinkler System.....	180
Buildings and Building Improvements	
• Building Exterior: Office.....	360
• Building Exterior: Storage and Warehouse.....	360
• Building Interior: Elevator.....	240
• Building Interior: Carpet.....	180
• Building Interior: Sprinkler System.....	240
• Building Interior: Roof.....	120
• Building Interior: HVAC.....	180
• Building Interior: Security.....	120

Furniture and Equipment

- Desks, tables, chairs, cabinets, credenzas..... 36
- Fax machines, copiers, projectors..... 36
- Kitchen appliances..... 36
- Desktop CPU, servers, laptops..... 36

Vehicles

- Passenger cars..... 60
- Cargo vans, light trucks..... 60
- Ambulances..... 60

This Capital Asset Capitalization Policy may be amended and supplemented from time to time by resolution of the Board of Directors. All existing capital asset capitalization policies of the District containing provisions inconsistent with these policies are hereby repealed and replaced by these policies. No violation of these policies alone shall constitute a basis for a legal challenge, as it is intended by the District that these policies are intended to provide a method of guidance for the District’s capitalization of capital assets, but shall not be construed as having the force and effect of law. Any provisions of the District’s enabling statutes as well as other state or federal laws, rules or regulations which are applicable to the District and which conflict with these policies shall supersede these policies to the extent of such conflict.

These policies have been approved by the Board of Directors of the Montgomery County Hospital District, acting at a public meeting held in strict compliance with the Texas Open Meetings Act, to take effect immediately.

THESE POLICIES WERE PASSED AND APPROVED BY THE BOARD OF DIRECTORS OF THE MONTGOMERY COUNTY HOSPITAL DISTRICT ON THE 3RD DAY OF NOVEMBER, 2009.

Johnson, Allen

From: Hipp, Karen
Sent: Monday, November 02, 2009 12:03 PM
To: Johnson, Allen
Cc: Bryant, Connie; Sandel, Diane
Subject: RE: Service request

Just one nitronox with carrying case and two nitrous oxide cylinders.

Karen Hipp

From: Johnson, Allen
Sent: Monday, November 02, 2009 11:39 AM
To: Hipp, Karen
Cc: Bryant, Connie; Sandel, Diane
Subject: RE: Service request

I am okay – we have have them declared surplus tomorrow

Allen Johnson, MPA
Chief Executive Office
Montgomery County Hospital District

From: Hipp, Karen
Sent: Monday, November 02, 2009 11:38 AM
To: Johnson, Allen
Cc: Bryant, Connie; Sandel, Diane
Subject: RE: Service request

yes

Karen Hipp

From: Johnson, Allen
Sent: Monday, November 02, 2009 11:36 AM
To: Hipp, Karen
Cc: Bryant, Connie; Sandel, Diane
Subject: RE: Service request

Do we have any to sell?
