



Monterey One Water Budget

Fixed Assets / Surplus Property Policy

KEY ITEMS

Capitalization

Over \$5k are capitalized at historical cost

Donated Assets

Recorded at value at date of acquisition

Useful Lives

Wastewater System
40-75 years

Other Structures / Improvements
15-50 years

Equipment
5-40 years



Lover's Point Pacific Grove

A. Capitalization and Depreciation

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from their balances and any gains / losses are recognized.

Depreciation on capital assets is computed on an annual basis using the straight-line method of depreciation. Estimated useful lives of the classes of depreciable capital assets vary based upon the following categories: structures and improvements, 15 to 50 years; wastewater system, 40 to 75 years; and equipment, 5 to 40 years.

B. Construction in Progress

The cost of acquisition and construction of major plant and equipment is recorded as construction in progress (CIP). As facilities are constructed by M1W and become operative, they are transferred from CIP to the plant and equipment accounts, or they are expensed if determined that the item does not meet the requirements of the capitalization policy of the Agency or as established under Generally Accepted Accounting Principles (GAAP).

C. Definition of Surplus Assets

Surplus properties are defined as M1W owned items that are obsolete, fully depreciated, scheduled for replacement, or are no longer needed for operations of the Agency. Scrap or recyclable material is defined as any type of metal or copper, or metal valves piping and related units that are determined to have a residual value to the Agency only as scrap or recyclable material and thus can be disposed.

D. Disposal of Surplus Assets

It is M1W's policy per section 06.14 that either the General Manager (GM), Assistant General Manager (AGM), Chief Financial Officer (CFO) or their approved designee(s) can authorize the disposal or transfer between departments of surplus property (excluding land) and of scrap or recyclable material. These staff shall work with the Procurement Specialist to account for the proper disposal of these items.

Surplus items shall be disposed using any of the following methods:

- **Trade-In:** For similar goods or donation to government / charity
- **Transfer:** To another department or held temporarily in storage
- **Scrap/Recyclables:** At the Regional Treatment Plant (RTP)
- **Nominal Items:** At Monterey Regional Waste Mgmt District (MRWMD)
- **Sale:** Can auction to public with public notification



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KEY ITEMS

Employees

Prohibited from taking surplus property except thru 3rd party auctions

Sale of Surplus Assets

Advertised on website or by a 3rd party auction company

Disposals

Require completion surplus property form with photos



Centrella Inn

E. Prohibition of Employees Taking Possession of Surplus Property

The removal or designation of surplus property for the purpose of taking personal possession or ownership is strictly prohibited. Agency employees and their families and relatives are prohibited from purchasing or acquiring surplus property, except from a third-party auction company through their competitive bid process.

F. Transfer of Surplus Property to Another Department

For a proposed transfer of surplus property, the procurement specialist will circulate the notice throughout the Agency to see if other departments are interested in obtaining the surplus property for their department's use. If more than one department responds to the notice, the property should be re-assigned on a "first-come, first-served" basis.

G. Sale of Surplus Assets

Items published for sale shall be either advertised on the Agency's website or an online auction website. For sales advertised on the Agency's website, bid opening or auction dates shall be scheduled no earlier than two weeks following the initial advertisement. When an outside auction company is used, the Procurement Specialist will work with the auction company and staff to perform the following duties:

- **Inventory of Items:** Obtained from the Maintenance Manager of the items to be sold
- **Quotes:** Determine scope of services needed and solicit for auction firms
- **Pickup of Items:** Coordinate with staff and the selected auction company
- **Advertisement:** Surplus items by the auction company on M1W's website
- **Documentation:** Obtain from auction company of items sold and verify proceeds
- **Result Summary:** Prepare from the auction for the Finance Department

H. Surplus Property Form

All recommendations for disposition require a completion of a *Surplus Property Form* with photos of the items authorized to be disposed or transferred. The form shall be sent to the Procurement Specialist for recording in the Agency's financial records.

The Maintenance Manager will serve as the primary custodian for temporary storage of surplus items awaiting to be disposed or transferred and shall maintain inventory records of these items using the information provided on the *Surplus Property Forms*.

Items with little to no value (as determined by the GM, AGM, CFO or their designee) may be disposed of with other waste. Items meeting the Agency's definition of scrap or recyclable material shall be placed in the recycling bins at RTP. The Maintenance Manager or designee is responsible for ensuring that the recycling bin materials are collected at least monthly, with supporting information and revenues forwarded to the Procurement Specialist who records the necessary transactions in the accounting system.



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I. Glossary

Capital Assets

Include property of any kind, including land and building, plant and machinery, vehicles, furniture, goodwill, tenancy rights, patents, trademarks, etc. are capital assets.



Capitalization

An accounting method in which a cost is included in the value of an asset and expensed over the useful life of that asset, rather than being expensed in the period it was originally incurred.

Construction in Progress

Construction work in progress is a general ledger account in which the costs to construct a fixed asset are recorded.

Depreciation

An accounting method of allocating the cost of a tangible or physical asset over its useful life or life expectancy. Straight Line Depreciation allocates depreciation evenly over the life of the asset and is used by M1W on its fixed assets.

Easements

A nonpossessory right to use/enter onto the real property of another without possessing it. It is "best typified in the right of way which one landowner may enjoy over the land of another. It is similar to real covenants and equitable servitudes.

Infrastructure

It is composed of public and private physical structures such as roads, railways, bridges, tunnels, water supply, sewers, electrical grids, and telecommunication.



Historical Cost

A measure of value used in accounting in which the value of an asset on the balance sheet is recorded at its original cost when acquired by the Agency during the fiscal year.

Land Improvements

Enhancements to a plot of land to make the land more usable. If these improvements have a useful life, they should be depreciated. If there is no way to estimate a useful life, then do not depreciate the cost of the improvements. If land is being prepared for its intended purpose, then include these costs in the cost of the land asset. They are not depreciated.

Useful Life

The estimated lifespan of a depreciable fixed asset, during which it can be expected to contribute to company operations. This is an important concept in accounting since a fixed asset is depreciated over its useful life.

Wastewater System

Wastewater treatment takes place in a wastewater treatment plant (WWTP), also referred to as a Water Resource Recovery Facility (WRRF) or a Sewage Treatment Plant (STP) in the case of domestic wastewater. Pollutants in wastewater are removed, converted or broken down during the treatment process at the Agency's regional treatment plant.

