



**RIVERBEND RESOLUTION NO. 20200527-01**

**AUTHORIZING THE APPROVAL OF THE CAPITALIZATION POLICY AND  
OF THE RIVERBEND WATER RESOURCES DISTRICT**

**WHEREAS**, Riverbend Water Resources District is a conservation and reclamation district created under and essential to accomplish the purposes of Section 59 Article XVI, Texas Constitution, existing pursuant to and having the powers set forth in Chapter 9601 of the Special District Local Laws Code of the State of Texas;

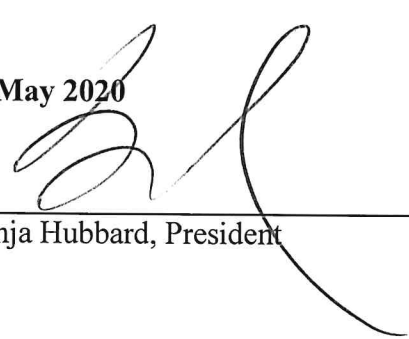
**WHEREAS**, Riverbend Water Resources District desires to review and update accordingly, its policies and procedures regarding the principles and criteria involved in the capitalization of district assets; and to make readily available these policies and procedures to the public in written form; and

**WHEREAS**, the generally accepted accounting principles requires the Board of Directors of the Riverbend Water Resources District to adopt a Capitalization Policy for accounting and audit purposes; and

**WHEREAS**, Riverbend Water Resources District has reviewed and approved its Capitalization Policy on an annual basis beginning April 12, 2017; and

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Riverbend Water Resources District, after its annual review, hereby adopts this Capitalization Policy dated April 17, 2019.

**PASSED and APPROVED this 27<sup>th</sup> day of May 2020**

  
\_\_\_\_\_  
Sonja Hubbard, President

ATTEST:

  
\_\_\_\_\_  
Marshall Wood, Secretary

Attached: Capitalization Policy, dated May 1, 2020

# **Riverbend Water Resource District**

## **Capitalization Policy**

### **May 1, 2020**

#### **Purpose**

This capitalization policy is intended to provide guidance for the capitalization and depreciation of capital assets to comply with the requirements of Governmental Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standard Board Statement No. 34 (GASB 34), Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This Statement requires the reporting of Riverbend Water Resources District's ("District") capital assets and depreciation in their annual audited financial statement.

This policy includes capital asset classes, descriptions, capitalization threshold levels, estimated useful lives, methods of depreciation and the procedures to be used in effectively identifying, recording and reporting the District's capital assets.

#### **Asset Classification**

District capital assets are used to support three major criteria of the business:

- General Administration
- Infrastructure
- Land Improvements, buildings, building improvements, and facilities

#### General Administration

General administration is the activity that District employees conduct to run the day to day business. Capital assets that support these activities can include but are not limited to office furniture, fixtures, equipment, information and computer systems, etc., where the following two (2) conditions are met:

- Each individual item has a cost of \$10,000 or more, and;
- Useful life of at least three (3) years.

#### Infrastructure

Activities related to infrastructure include new construction, replacement due to expansion or new technology, replacement due to the end of normal life cycle, major repairs or refurbishment and acceptance of assets through the contribution by other agencies. Capital assets that are in this group can include facility improvements and renovations, water and sewer systems, pipelines, pump stations, membranes, meters and other major components that are used in the water and wastewater treatment plant facilities. In addition, capital assets in this category can also include roads, streets, bridges, tunnels, drainage systems, dams and lighting systems.

The District has elected to not utilize the modified approach for depreciation of infrastructure under GASB 34.

#### Land Improvements, buildings, building improvements, and facilities

Activities related to this category include acquisition, new construction, replacement due to expansion or new technology, replacement due to the end of normal life cycle, major repairs or

refurbishment and acceptance of assets through the contribution by other agencies. Capital assets that are in this group can include but are not limited to land, land improvement, buildings, building improvements, and facilities.

1) New Construction:

New construction normally starts as a Construction-In-Progress project and may take more than one fiscal year to complete. At the completion of the project, the total costs of the project may be broken down by the major groups of assets such as distribution system, pumping system, reverse osmosis system, etc. Under each system, the component unit of the assets is listed based on the nature of the component and the length of the estimated useful life.

To be considered as a capital asset, these two conditions must be met:

- Each individual item or component unit has a cost of \$10,000 or more, and;
- Useful life of at least three (3) years.

Exception:

Service connections (pipelines) are capitalized as capital assets and are not subject to the \$10,000 limitation. However, it still has to meet the useful life limitation of at least three years. In the situation when the customer pays the cost of acquiring and installing service connections, but the District is responsible for the maintenance of the service connections, the District should include the connections as part of the District capital assets and record the customer contributions as capital contributions revenue.

2) Replacement due to expansion or new technology:

Replacement can take place when the District is expanding its facilities to increase production capacity, or as the result of new technology and equipment becoming available on the market that is more cost efficient than what is currently used. In this situation, the old systems or equipment will be replaced when they still have a remaining useful life and economic value.

To be considered as a capital asset, these two conditions must be met:

- Each individual item or component unit has a cost of \$10,000 or more, and;
- Useful life of at least three (3) years.

Also, because the retired equipment or systems may still have a positive net book value, the District will calculate and record the appropriate loss of disposition.

3) Replacement due to the end of life cycle:

Replacement can also take place as a result of normal scheduled maintenance. The components can be purchased at the same time but be installed simultaneously or within a planned short period time. In this situation, the old systems or equipment will be replaced when they have no useful life or economic value.

To be considered as a capital asset, these two conditions must be met:

- The aggregate total costs of the component units have a cost of \$10,000 or more, and;
- Useful life of at least three (3) years.

The estimated portion of the original asset that was replaced will be removed from the asset records of the District.

4) Repairs or refurbishments:

The District's existing systems require repairs and maintenance on a regular basis. Repair or refurbishment expenses to the existing capital assets under certain circumstances may be capitalized. The criteria for determining whether the expenditure is an expense or capital asset requires knowledge of the effect the repair will have on the capital asset.

To be considered as a capital asset, these conditions must be met:

- Total repair or refurbishment cost of one job has to be \$10,000 or more, and;
- After the repair or refurbishment, the remaining useful life of the existing asset must be extended by at least three (3) years.

When the above conditions are not met, the cost of repair or refurbishment will be considered as operations and maintenance expenses.

5) Contribution by other agency:

The District may enter into an agreement with other governmental agencies to co-build some infrastructure. At the completion of the project, a portion or the entire infrastructure may be contributed to the District regardless of which agency had paid for the costs and the District has the primary responsibility for maintaining the asset. In this situation, the capital asset is recorded at the time the asset is the sole property of the District. The total cost of the project must be broken down by operating system, and the major component units are to be listed under the operating systems depending on the nature and the length of the estimated useful life.

To be considered a capital asset, these two conditions must be met:

- Each individual item or component unit has a cost of \$10,000 or more, and;
- Useful life of at least three (3) years.

### **Determination of Cost**

Governmental GAAP states that purchased or District-constructed capital assets should be reported at historical cost. The total cost of the capital asset is the cash outlay or its equivalent that is necessary to acquire the asset and put it in operating condition. These costs include contract price, freight, sales tax, licensing fees, handling and assembling, installation and testing, direct labor and material, indirect labor and materials, benefit and overhead allocations as well as any construction period interest cost as required. In addition, it is the District's policy to

capitalize any cost that is specifically identifiable with a planned capital project (or asset acquisition), including public information costs and costs incurred to obtain financing for the project. Contributed capital assets will be recorded at their estimated fair market value at the date of the asset was contribution to the District.

### **Estimated Useful life**

The District uses Internal Revenue Tax Law requirements, general guidelines obtained from professional or industry organizations and information for comparable assets of other governments as the guidelines when estimating the useful lives of the capital assets.

### **Depreciation Method**

The District uses straight-line method with no salvage value for all depreciable capital assets.

## Summary

The following table summarizes the criteria discussed above:

<b>Asset Class</b>	<b>Description</b>	<b>Threshold</b>	<b>Useful life (years)</b>
OFFICE FURNITURE, EQUIPMENT	Desk, chair, file cabinet, telephone printer	\$10,000	3-10
INFORMATION SYSTEMS	Computer, server, software, monitor	\$10,000	3-6
LAND	Land	N/A — capitalize all	N/A
LAND IMPROVEMENT	Sidewalks, fences, landscape	\$10,000	20
BUILDING & IMPROVEMENT	Buildings	\$10,000	40
INFRASTRUCTURE	Pipelines, pump station, well, motors, vaults, membranes, pump, storage tank, meters, compressor, water and wastewater systems/ facilities	\$10,000	3-60
VEHICLES	Car, truck, tractor, trailer	\$10,000	5
INTANGIBLE ASSETS	Studies, water rights, permits	\$10,000	20-60

\* The above descriptions are not limited to those described. In addition, the District reserves the right to add any specific item and any specific amount to conform to District specialty needs and/or practices.

**Glossary:**

**Capital Assets:** Capital assets are acquired for use in operations and not for resale. They are long term in nature and subject to depreciation. They possess physical substance.

**Component Unit:** Individual identifiable pieces of a capital asset (or group of capital assets).

**Depreciation:** The systematic and rational allocation of the estimated historical cost of a capital asset, (or if donated, the fair value of the capital asset at the time of donation), over its estimated useful service life.

**Estimated Useful life:** The period of time over which an asset's cost will be depreciated.

**Fair Market Value:** An estimate of what a willing buyer would pay to a willing seller, both in a free market, for an asset or any piece of property.

**Governmental GAAP:** The Governmental Generally Accepted Accounting Principles: Conventions, rules and procedures that serve as the norm for the fair presentations of financial statements as applicable to governmental entities.

**GASB 34:** The Governmental Accounting Standards Board's (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis require State and Local Governments depreciate their exhaustible capital asset, including infrastructure.

**Historical Cost:** The actual exchange value in dollars at the time the asset was acquired. It is measured by cash or cash equivalent price of obtaining the asset and charges necessary to bring it to its intended location and to place the asset in its intended condition for use.

**Infrastructure:** The structures that support a society, such as roads, water supply, wastewater, power grids, flood management systems, telecommunications (Internet, telephone lines, broadcasting), and so forth.

**Replacement:** The substitution of a new facility or component of an existing facility.

**Salvage Value:** An estimate of the amount that will be realized at the end of the useful life of a depreciable asset.

**Straight-Line Depreciation Method:** Is determined by the formula:  $(\text{Cost-Salvage value}) / \text{Estimated useful life} = \text{Depreciation per period}$ .



**RIVERBEND RESOLUTION NO. 20200527-02**

**AUTHORIZING AN INCREASE TO THE CURRENT CREDIT CARD LIMITS WITH  
TEXAR FEDERAL CREDIT UNION**

**WHEREAS**, Riverbend Water Resources District is a conservation and reclamation district created under and essential to accomplish the purposes of Section 59 Article XVI, Texas Constitution, existing pursuant to and having the powers set forth in Chapter 9601 of the Special District Local Laws Code of the State of Texas; and

**WHEREAS**, Riverbend Water Resources District passed a resolution on March 27, 2019 to a credit card with Texar Federal Credit Union and increase the aggregate limit of those four cards to \$60,000; and

**WHEREAS**, Riverbend Water Resources District has seen an increase in the need for credit cards for the purchase of supplies, chemicals, travel expenses, training, maintenance on the plants and vehicles. Riverbend now requires that 2 additional cards be added to the Wet Utility fund and the aggregate limit, to be equally distributed among the 6 cards, be increased to \$90,000 to fund the general operations of the Wet Utility; and

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Riverbend Water Resources District approves this resolution authorizing the addition of two cards to the Wet Utility fund and the limits of the credit cards with Texar Federal Credit Union be increased to \$90,000 in aggregate (six cards for \$15,000 each).

**PASSED and APPROVED this 27<sup>th</sup> day of May 2020**

  
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Sonja Hubbard, President

ATTEST:

  
\_\_\_\_\_  
Marshall Wood, Secretary





**RIVERBEND RESOLUTION NO. 20200527-03**

**ACKNOWLEDGING THE COMPLETION OF THE RETAIL RATE STUDY AS  
CONDUCTED BY NEWGEN STRATEGIES, INC.**

**WHEREAS**, Riverbend Water Resources District is a conservation and reclamation district created under and essential to accomplish the purposes of Section 59 Article XVI, Texas Constitution, existing pursuant to and having the powers set forth in Chapter 9601 of the Special District Local Laws Code of the State of Texas;

**WHEREAS**, Riverbend Water Resources District entered into an interlocal agreement with NewGen Strategies, Inc. on October 24, 2019 to conduct a Retail Rate Study for Riverbend and the study was completed and presented on April 22, 2020; and

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Riverbend Water Resources District hereby acknowledges the completion of the retail rate study as conducted by NewGen

**PASSED and APPROVED this 27<sup>th</sup> day of May 2020**

A handwritten signature in black ink, appearing to read "Sonja Hubbard", written over a horizontal line.

Sonja Hubbard, President

ATTEST:

A handwritten signature in black ink, appearing to read "Marshall Wood", written over a horizontal line.

Marshall Wood, Secretary

Attached: Retail Rate Study Final Report



**RIVERBEND RESOLUTION NO. 20200527-04**

**AUTHORIZING THE APPROVAL OF THE RESTRICTED FUNDS POLICY OF THE  
RIVERBEND WATER RESOURCES DISTRICT**

**WHEREAS**, Riverbend Water Resources District is a conservation and reclamation district created under and essential to accomplish the purposes of Section 59 Article XVI, Texas Constitution, existing pursuant to and having the powers set forth in Chapter 9601 of the Special District Local Laws Code of the State of Texas;

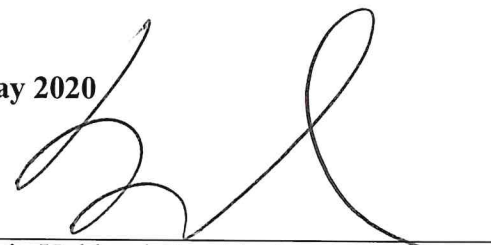
**WHEREAS**, Riverbend Water Resources District approved its Restricted Funds Policy on November 28, 2018; and

**WHEREAS**, Riverbend Water Resources District desires to review and update accordingly, its internal policies and procedures regarding the restriction of certain funds in order to repay any future debt service; and

**WHEREAS**, it shall be the responsibility of the Executive Director/CEO to review the Restricted Funds Policy and make recommendations to the Board of Directors in accordance with this policy to meet the needs and requirements of the District;

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Riverbend Water Resources District, hereby adopts this Restricted Funds Policy dated May 27, 2020.

**PASSED and APPROVED this 27<sup>th</sup> day of May 2020**



Sonja Hubbard, President

ATTEST:



Marshall Wood, Secretary

Attached: Restricted Funds Policy, Dated May 27, 2020



**RIVERBEND RESOLUTION NO. 20200527-05**

**ACKNOWLEDGING RIVERBEND WATER RESOURCES DISTRICT STAFF  
COMPLIANCE WITH HOUSE BILL 3834 REGARDING REQUIRED  
CYBERSECURITY TRAINING**

**WHEREAS**, Riverbend Water Resources District is a conservation and reclamation district created under and essential to accomplish the purposes of Section 59 Article XVI, Texas Constitution, existing pursuant to and having the powers set forth in Chapter 9601 of the Special District Local Laws Code of the State of Texas;

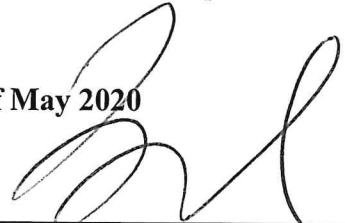
**WHEREAS**, the State of Texas House of Representatives passed House Bill 3834 in June 2019 requiring state agencies and local governments to complete a certified cybersecurity training program; and

**WHEREAS**, Riverbend Water Resources District employees attended a certified training program created by San Antonio River Authority and adapted to fit the needs of the District; and

**WHEREAS**, the Texas Department of Information Resources (DIR) requires that an authorized individual employed with each local government, such as Riverbend Water Resources District, verify and report on the completion of a cybersecurity training program by employees to the DIR and should retain documentation pertaining to this requirement.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Riverbend Water Resources District, authorizes the Executive Director/CEO to verify and report the completion of the cybersecurity training to the Texas Department of Information Resources.

**PASSED and APPROVED this 27<sup>th</sup> day of May 2020**

  
\_\_\_\_\_  
Sonja Hubbard, President

ATTEST:

  
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Marshall Wood, Secretary