	SAN ANTONIO RIVER AUTHORITY	POLICY & PROCEDURE	POLICY NUMBER: FN 0014
SUBJECT: Capital Assets		REPLACING POLICY NUMBER:	
RESPONSIBLE MANAGER: Senior Manager of Finance		EFFECTIVE DATE: 10/31/12	PAGE(S): 1 of 4
		REVISED DATE: 4/20/2022	

PURPOSE

In order to comply with the San Antonio River Authority's (River Authority's) purchasing policy (FN 0009) and to ensure compliance with the Government Accounting Board Statement 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34) reporting requirements, all capital assets must be properly tagged and entered into the central accounting system, Capital asset module.

DEFINITIONS

Asset – term used to describe either Capital or Controlled Asset acquired by the agency for either economic or operational benefit.

Capital Asset – defined as an asset of long-term character intended to be held or used by the agency that has an economic or useful life extending beyond one year and meets a value of equal to or greater than \$5,000. These items may include, but are not limited to, land, building(s), infrastructure, improvements, computer equipment, internally developed software, machinery and equipment, automotive equipment, vehicles, furniture, and all other tangible or intangible assets that are used in operations. Assets are generally acquired through procurement, construction, lease purchase agreement or by donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A Capital Asset is capitalized and depreciated over their remaining useful life, as applicable. Records of all Capital Assets are maintained for both management and accountability purposes.

Controlled Assets – defined as an asset that, due to the nature of the item(s), must be secured and tracked by the agency. These items may include, but are not limited to, computer or other electronic equipment, trailers, machinery and equipment, automotive equipment, furniture, and all other tangible or intangible assets that are used in operations. Controlled Assets are not depreciated or reported on the balance sheet. The threshold of Controlled Assets is equal to or greater than \$1,000 or it is determined to be in the best interest of the agency to secure and track the asset. Records of all Capital Assets are maintained for both management and accountability purposes.

Depreciation – the process of allocating the cost of tangible property over its estimated useful life. Depreciation will be calculated using the straight-line method, as applicable.

Designated Asset Representative – Employee designated by the department manager as responsible for asset tracking within their department.

End User(s) – Employee(s) or responsible department using the acquired asset.

POLICY

It is the policy of the River Authority to maintain accurate and current records for Assets purchased or otherwise acquired by the agency.

1. New Assets:

- a. It is the policy of the River Authority to properly secure and track assets acquired by the agency.
- b. Upon acquisition, it will be determined if the asset meets either the Capital or Controlled Asset threshold, the item will be assigned to the appropriate asset class, and the useful life duration.

2. Transfer of Assets:

- a. A procedure will be established to manage the internal transfer of assets between departments of the River Authority.

3. Disposal of Assets: Assets must be declared surplus by the San Antonio River Authority staff and approved by the Board of Directors before any disposition can occur. Once authorized as surplus, the Asset may be disposed of through one of the following methods:

- a. Donation to other governmental entities – Assets identified as surplus may be donated to other governmental entities. Donated Assets are valued at their estimated fair value on the date received, as necessary. A procedure will be established to manage the process of making surplus assets available to other governmental entities.
- b. Surplus sale – the River Authority may hold a sale of surplus property that is identified as no longer needed for operational use or that are beyond the useful life. It is the intention to conduct a sale of surplus property no fewer than once per calendar year.
- c. Trade-In – Assets may be traded in for the purchase of another like or similar asset. Recognition of the trade-in must be specified on the quote and purchase requisition with the new item being purchased. For planning purposes, a determination of whether an item will be traded in or sold as surplus should be made when replacement of an asset is requested in the annual budget.
- d. Theft/Loss/Damage – In the event an Asset is lost, stolen, or damaged, employees should notify the Finance department as soon as possible, complete the appropriate incident report, and

forward the report to the Finance department. Finance will work with the appropriate parties (e.g. insurance carrier) to make any appropriate claims related to the item.

4. Depreciation:

- a. Depreciation of Capital Assets is recorded as an expense against operations and reported in the River Authority's Comprehensive Annual Financial Report (CAFR) as appropriate. Depreciation, where applicable, is recorded on the straight-line basis over the estimated life of the assets. The estimated useful lives are as follows:

i. Office furniture, fixtures, equipment and software	3-10 years
ii. Other machinery and equipment	5-20 years
iii. Automobiles and trucks	3-10 years
iv. Buildings	10-30 years
v. Improvements other than buildings	5-30 years
vi. Wastewater and water treatment facilities	10-50 years
vii. Flood control infrastructure	10-50 years
viii. Restoration projects	10-50 years

5. Leases (GASB 87):

The following information will need to be evaluated and updated annually based on the fiscal year being reviewed as of 6/30/XX data.

a. Materiality

To ensure we are complying with GASB 87 while maintaining a reasonable amount of administrative burden, we are setting the following materiality thresholds for recording and disclosing leases:

Lessee Materiality

Governmental Activities:

Where the River Authority is the Lessee and the lease is recorded in one of our Governmental Funds, the threshold is set at \$550,000 total individual contract value. Meaning, the total contract value at time of implementation must be at or over \$550,000. This amount is less than .10% of the Governmental Activities net position in our FY20 Comprehensive Annual Financial Report (Statement of Net Position, pg. 32). In addition, all leases in a grouped or similar category, such as land, will be evaluated to ensure the unrecorded leases do not cumulatively exceed \$1,000,000.

SARA Wastewater:

Where the River Authority is the lessee and the lease is recorded in the SARA Wastewater fund, the threshold is set at \$75,000 total contract value. Meaning, the total contract value at time of

implementation must be at or over \$75,000. This amount is about .10% of the SARA Wastewater net position in our FY20 Comprehensive Annual Financial Report (Statement of Revenues, Expenses and Change in Fund Net Position, pg. 42). In addition, all leases in a grouped or similar category, such as land, will be evaluated to ensure the unrecorded leases do not cumulatively exceed \$100,000.

Salitrillo Wastewater:

Where the River Authority is the lessee and the lease is recorded in the Salitrillo Wastewater fund, the threshold is set at \$30,000 total contract value. Meaning, the total contract value at time of implementation must be at or over \$30,000. This amount is about .10% of the Salitrillo Wastewater net position in our FY20 Comprehensive Annual Financial Report (Statement of Revenues, Expenses and Change in Fund Net Position, pg. 42). In addition, all leases in a grouped or similar category, such as land, will be evaluated to ensure the unrecorded leases do not cumulatively exceed \$50,000, then the leases shall be recorded and disclosed.

Randolph Air Force Base (RAFB):

Where the River Authority is the lessee and the lease is recorded in the RAFB fund, the threshold is set at \$6,000 total contract value. Meaning, the total contract value at time of implementation must be at or over \$6,000. This amount is about .10% of the RAFB net position in our FY20 Comprehensive Annual Financial Report (Statement of Revenues, Expenses and Change in Fund Net Position, pg. 42). If the value of all leases in a grouped or similar category, such as land, cumulatively exceed \$12,000, then the leases shall be recorded and disclosed.

Lessor Materiality

General Fund:

As of implementation, all leases where the River Authority is the lessor are generally recorded in the General Fund. Therefore, the materiality threshold for recording and disclosing leases in this category will be set at \$400,000. In addition, all leases in a grouped or similar category, such as land, will be evaluated to ensure the unrecorded leases do not cumulatively exceed \$700,000.

SARA Wastewater:

Where the River Authority is the lessor and the lease is recorded in the SARA Wastewater fund, the threshold is set at \$50,000 total contract value. Meaning, the total contract value at time of implementation must be at or over \$50,000. This amount is about .10% of the SARA Wastewater net position in our FY20 Comprehensive Annual Financial Report (Statement of Revenues, Expenses and Change in Fund Net Position, pg. 42). In addition, all leases in a grouped or similar category, such as land, will be evaluated to ensure the unrecorded leases do not cumulatively exceed \$100,000.

Salitrillo Wastewater:

Where the River Authority is the lessor and the lease is recorded in the Salitrillo Wastewater fund, the threshold is set at \$30,000 total contract value. Meaning, the total contract value at time of implementation must be at or over \$30,000. This amount is about .10% of the Salitrillo Wastewater net position in our FY20 Comprehensive Annual Financial Report (Statement of Revenues, Expenses and

Change in Fund Net Position, pg. 42). If the value of all leases in a grouped or similar category, such as land, cumulatively exceed \$50,000, then the leases shall be recorded and disclosed.

Randolph Air Force Base (RAFB):

Where the River Authority is the lessor and the lease is recorded in the RAFB fund, the threshold is set at \$6,000 total contract value. Meaning, the total contract value at time of implementation must be at or over \$6,000. This amount is about .10% of the RAFB net position in our FY20 Comprehensive Annual Financial Report (Statement of Revenues, Expenses and Change in Fund Net Position, pg. 42). If the value of all leases in a grouped or similar category, such as land, cumulatively exceed \$12,000, then the leases shall be recorded and disclosed.

6. Incremental Borrowing Rate

Short-term

The incremental borrowing rate for leases with a term of 10 years or less will be set at the fixed rate floor our bank would charge us for a business loan. For fiscal year end 6/30/2021, the rate is 3.5%. Jerry Yost at Frost Bank provided the rate information.

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Long-term

Our most recent bond issuance coupon rates will be used to establish the incremental borrowing rate for leases with a term of 11 or more years:

- a. Governmental Activities/General Fund - Series 2019 (1.97%)
- b. Business-type Activities (SARA Wastewater, Salitrillo, Randolph AFB) – Series 2021 (4.00%)

PROCEDURE

1. Finance is responsible for:
 - a. Tracking and accounting for Assets in the central electronic record keeping system.
 - b. Notifying the insurance company of new Asset purchases or deletions.
 - c. Coordinating with each department’s Designated Asset Representative to ensure all Assets are tagged appropriately and all necessary data is collected.
 - d. Perform yearly inventory of Capital and Controlled Assets.
 - e. Managing and gathering items for the sale of surplus property.

f. Managing claims related to theft or damage.

2. Department Asset Representative is responsible for:

- a. Verifying assets for insurance purposes annually.
- b. Working within their department to identify the purchased equipment classified as Capital or Controlled Assets.
- c. Notifying the Finance department of disposed, donated, transferred, lost, stolen, damaged or completed assets by using the Capital Asset form.
- d. Assists Finance Department with yearly inventory of Assets Ensuring that assets have the appropriate tags and proof of insurance, as applicable.

3. New Assets:

- a. A purchase requisition (PR) is created by the End User, following proper purchasing policies, identifying items as Capital assets. The End User creates a purchase requisition (PR) for all new asset purchases. The PR must include a complete description, manufacturer name and part number for the asset. The purchase requisition is copied to the End User's department Designated Asset Representative.
- b. The Capital asset being purchased must be coded to the appropriate general ledger accounting code(s) and, if applicable, the appropriate job ledger accounting code(s). Use the most current chart of accounts for the correct Capital asset codes.
- c. The PR must be routed by the department through the central electronic record keeping system. Once routing and approvals have completed, Finance will issue a purchase order (PO) to the end user's department and the vendor will be notified of the PO.
- d. Once the Capital asset is received, the department End User must notify their Designated Asset Representative, who then notifies Finance of the Capital asset's make, model and serial number.
- e. If applicable, Finance will notify the River Authority's insurance carrier to add the asset to insurance coverage.
- f. Finance will then issue a River Authority Asset Tag to the Designated Asset Representative. The tag should be placed in an easily visible location on the Capital asset.
- g. The Designated Asset Representative will be responsible for communicating with Finance to ensure all Assets are properly tagged within five (5) days of receipt of the item and that Finance has received all necessary information (description, manufacturer, serial number, model number and location). ***The End User cannot use the asset until it has been included in insurance coverage and received an asset tag.***

4. Transferring Assets:


- a. The initial End User must notify their Designated Asset Representative of the asset tag number of the Capital asset.

- b. The initial Designated Asset Representative will then notify the Finance department and the receiving department's Designated Asset Representative of the transfer, providing all necessary information on the Capital Asset Worksheet including:
 - i. Capital asset tag number
 - ii. Old location of the Capital asset
 - iii. New location of the Capital asset
 - iv. Date of transfer
 - v. Reason for transfer
- c. Finance will transfer the Asset in the central electronic record keeping system, and then notify the initial department's Designated Asset Representative that the physical transfer may be completed.

5. Disposal of Assets:

- a. The disposal of surplus property consists of any assets which are no longer in use by the River Authority.
- b. Finance will, at least annually, request a list of all items and information related to that surplus items from each department.
- c. Each Designated Asset Representative will provide the list and related information for assets to be included on the surplus list.
- d. Finance will bring the items proposed for surplus to the Board of Directors to declare each item as surplus.
- e. Any proceeds from the disposal of assets will be credited to the original funding source. For example, revenue from utility system Capital asset surplus sales will be credited to the wastewater operating system funds.

Approved:



Derek Boese, General Manager



Date

