

Item 3 – District Capitalization Policy

One of the recommendations made by the audit firm Seidel Schroeder during the 2024 District Financial Audit, was to formulate and adopt a District Capitalization Policy. This policy would determine the level at which purchases would be carried as a capital asset and subject to depreciation.

I have queried other districts about their policies. I found only one that is currently considering the same procedure. The level set is specific to the size of the entity and the level of oversight you wish to have.

Most government entities follow the federal government template which has just recently changed from \$5,000 to \$10,000. It seems reasonable to set our capitalization level between \$2,000 and \$5,000.

I corresponded with Taylor Boeker, CPA who conducted our recent audit, and queried her about capitalization levels, what should be included, and lengths of useful life. Her recommendation was to set the capitalization level for all categories at \$2,500 and the useful life as follows:

Category	Useful Life
Land	N/A
Buildings	40 years
Machinery & Equipment	5-7 years
Vehicles	5-10 years

It is the recommendation by the General Manager to adopt Resolution 10-9-25.3 establishing a District Capitalization Policy for all categories of assets and a \$2,500 floor value.



BRAZOS VALLEY GROUNDWATER CONSERVATION DISTRICT

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Brazos Valley Groundwater Conservation District

Capitalization Policy

Effective Date: October 9, 2025

Purpose

The purpose of this policy is to establish guidelines for capitalizing and depreciating capital assets in accordance with generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements.

Policy

Brazos Valley Groundwater Conservation District will capitalize assets that meet the following definitions and thresholds. Assets that do not meet the capitalization threshold will be expensed in the period purchased.

Capital Asset Categories and Thresholds

The following thresholds are established for capitalization. Individual assets with a cost equal to or greater than the threshold listed below will be capitalized and depreciated over their estimated useful lives.

Asset Category	Capitalization Threshold	Estimated Useful Life (Years)
Land	\$2,500	N/A
Buildings	\$2,500	40
Machinery & Equipment	\$2,500	5-7
Vehicles	\$2,500	5-10

Depreciation

Capital assets, other than land, will be depreciated using the straight-line method over their estimated useful lives. Salvage value is generally not considered unless material.

Review and Updates

This policy will be reviewed periodically and updated as necessary to remain in compliance with accounting standards and reflect the operational needs of Brazos Valley Groundwater Conservation District.

Approved by: _____

Title: _____

Date: _____

BOARD OF DIRECTORS:
LISA ROLKE
GARY MECHLER, VP

JAYSON BARFKNECHT, PRES.
CHRIS ZEIG, TREASURER
JOHN ELLIOTT

STEPHEN CAST
MARK CARRABBA
JEFF KENNEDY, SECRETARY



**A RESOLUTION OF THE
BRAZOS VALLEY GROUNDWATER CONSERVATION DISTRICT
ADOPTING ITS CAPITALIZATION POLICY
No. 10-9-25.3**

WHEREAS, the Brazos Valley Groundwater Conservation District (“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 8835 of the Texas Special District and Local Laws Code and Chapter 36 of the Texas Water Code and is, thereby, charged by the Texas Legislature with providing for the conservation, preservation, protection, and prevention of waste of groundwater, and of groundwater resources in Brazos and Robertson counties, Texas, under §36.0015, Tex. Water Code;

WHEREAS, the generally accepted accounting principles require the District’s Board of Directors to adopt a Capitalization Policy for accounting and audit purposes; and

WHEREAS, the District desires to review and update accordingly, its policies and procedures and to make readily available these policies and procedures to the public in written form.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE BRAZOS VALLEY GROUNDWATER CONSERVATION DISTRICT THAT

it hereby adopts the attached Capitalization Policy.

PASSED AND APPROVED this the 9th day of October 2025.

BRAZOS VALLEY GROUNDWATER CONSERVATION DISTRICT

Jayson Barfknecht, President Date

Jeff Kennedy, Secretary Date