



**VILLAGE OF
HARRISON HOT SPRINGS
POLICY**

COUNCIL	POLICY NO. 1.09
CAPITAL ASSETS	DATE ADOPTED: December 15, 2008 AMENDMENTS: August 16, 2010

1. PURPOSE

This Capital Asset Policy (Policy) promotes sound corporate management of capital assets and complies with the Public Sector Accounting Board (PSAB) Handbook Section PSAB 3150.

Financial Statements prepared for fiscal the year starting January 1, 2009 will require compliance with PSAB 3150. Comparative figures for the year 2008 are also required.

2. SCOPE

All tangible property owned by the Village, either through donation or purchase and which qualifies as capital assets are addressed in this policy. In accordance with PSAB 3150, tangible capital assets (TCA) are non-financial assets having physical substance that:

- a. are held for use in the production or supply of goods or services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- b. have useful economic lives extending beyond an accounting period;
- c. are to be used on a continuing basis; and,
- d. are not for sale in the ordinary course of operations.

3. PRINCIPLES

Principles in this policy provide guidance for policy development and assist with interpretation of the policy once applied.

- a. The purpose of this policy is for the benefit of the Village as a whole; for the users of the Village's financial statements and managers of the Village's tangible capital assets.

- b. The cost associated with data collection and storage is balanced with the benefits achieved by users of the data and reports.
- c. Budgeting follows PSAB 3150. Only capital items meeting the capital asset criteria in this policy will be budgeted as capital.
- d. Compliance is with all legislation applicable to municipalities.
- e. Financial, operational and information technology system limitations are considered.
- f. Materiality is considered.
- g. Reporting deadlines are met.

4. POLICY

A framework is established for the management and control of the Village's capital assets. Included in this framework is proper recognition, measurement, thresholds, aggregation, segregation, amortization, reporting, safeguarding and disposal. Additional guidelines relating to the purchase of assets are found in the Village's Procurement Policy.

5. DEFINITIONS:

"Tangible Capital Assets (TCA)" means non-financial assets having physical substance that:

- a. are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- b. have useful economic lives extending beyond an accounting period;
- c. are to be used on a continuing basis; and,
- d. are not for sale in the ordinary course of operations.

"Betterment" means a cost incurred to enhance the service life of a TCA.

"Cost" means the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset, and includes all costs directly attributable to acquisition, construction, development or betterment of the TCA, including installing the asset at the location and in the condition necessary for its intended use. The cost of a contributed TCA, including a TCA in lieu of a developer charge, is considered to be equal to its fair market value at the date of contribution. Capital grants would not be netted against the cost of the related TCA.

“Fair Value” means the amount of the consideration that would be agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act.

“Net Book Value” means the tangible capital assets cost, less both accumulated amortization and the amount of any write-downs.

“Residual Value” means the estimated net realizable value of a TCA at the end of its useful life.

“Useful Life” means the estimate of either the period over which a TCA is expected to be used, or the number of production or similar units that can be obtained from the TCA. The life of a TCA may extend beyond the useful life of a TCA. The life of a TCA, other than land is finite, and is normally the shortest of the physical, technological, commercial and legal life.

6. CLASSIFICATIONS

a. Major classifications of TCA’S to be recorded will include:

- i. Land
- ii. Land Improvements
- iii. Parks Infrastructure
- iv. Buildings
- v. Machinery and Equipment
- vi. Vehicles
- vii. IT Infrastructure
- viii. Engineered Structures

b. Definitions of major TCA classifications:

“Land” means land purchased or acquired for value for parks and recreation, building sites, land for infrastructure (highways, bridges etc.) and other program use, but not land for resale.

“Land Improvements” means improvements of a permanent nature to land such as parking lots, lighting, pathways, engineered structures and fences.

“Parks Infrastructure” means playground equipment, outdoor pools, fencing, tennis courts, trails, pathways, information kiosks, docks and wharves, boat ramps, public washrooms and showers, lagoons and beaches and lighting.

“Buildings” means permanent, temporary or portable building structures, such as offices, garages, warehouses, and recreation facilities intended to shelter persons and/or goods, machinery, equipment, and working spaces. Buildings include improvements such as exterior envelope, HVAC systems, roofs, electrical, plumbing, fire and site works.

“Machinery and Equipment” means heavy and light equipment for constructing infrastructure and smaller equipment and furnishings in buildings and offices. This class does not include immovable equipment used in the engineered structures classification.

“Information Technology (IT) Infrastructure” means infrastructure including software, hardware, wiring, computers, printers, scanners, photocopiers and radio and telephone network. IT infrastructure is capitalized if each purchase or project meets threshold limits. Computers and printers, scanners, photocopiers, etc. are capitalized if purchased in volume and the volume exceeds the threshold limit.

“Vehicles” means rolling stock that is used primarily for transportation purposes.

“Engineered Structures” means permanent structural works such as:

i. Roadway system:

Means assets intended for the direct purpose of vehicle or pedestrian travel or to aid in vehicle or pedestrian travel. Includes roads, bridges, overpasses, ramps, parkades, lights, sidewalks and signage.

ii. Water system:

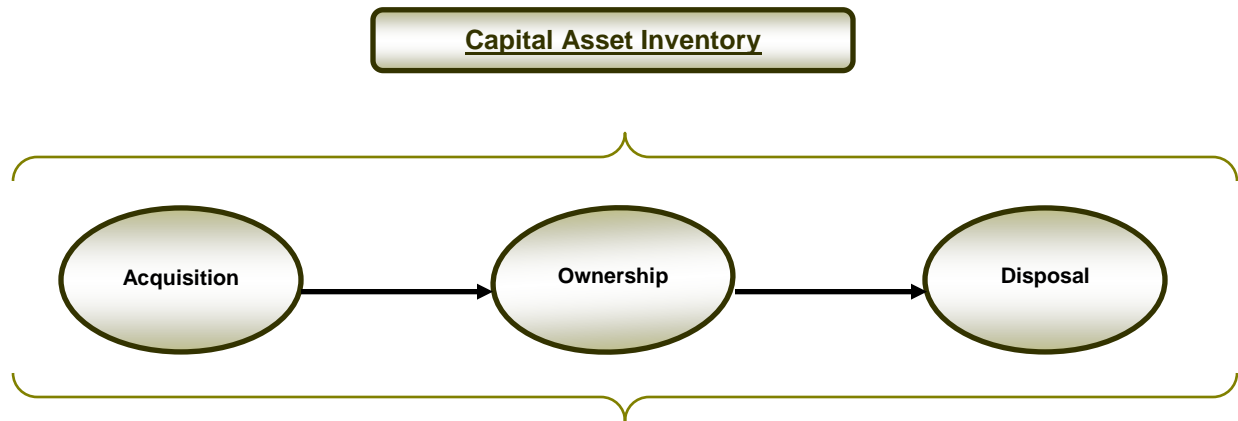
Means assets for the provision of water through pipes or other constructed conveyance. It is normally intake, distribution, storage and treatment of safe, potable water. It may also be comprised of assets required to distribute non-potable water. Includes appurtenances such as: mains, valves, service connections, pump and lift stations, plants and equipment, reservoirs and fire hydrants.

iii. Wastewater system:

Means water that has been used for household, business and other purposes, which flows from private plumbing systems to public sanitary sewers and on to a treatment plant. The wastewater system is comprised of assets used for the collection and treatment of wastewater intended for return to a natural water system or other originating water source or used for other environmentally approved purposes. Includes appurtenances such as: mains, service connections, pump and lift stations, treatment plants and equipment and lagoons.

iv. Drainage system:

Means assets used for the collection, storage and distribution of drainage as a result of rain, flood or other external sources to a natural drainage system. Includes appurtenances such as: dyke works, mains, service connections, catch basins, pump and lift stations, outfalls and retention/detention ponds.



7. TCA INVENTORY - ACQUISITION

TCA'S are recognized as assets on the Village's Statement of Financial Position. They are recorded at historical cost upon receipt of a capital good or when the asset is put into use for a capital project.

8. THRESHOLDS

Thresholds are established for a minimum dollar value and number of years of useful life. Thresholds help to determine whether expenditures are to be capitalized as assets and amortized or treated as a current year expense. An optimal threshold for each asset category is a balance between the minimum dollar value and number of years of useful life.

The Village's threshold levels are set in accordance with the GFOA and PSAB Guidelines

Asset Category	Threshold
Land	Capitalize Only
Land Improvements	Capitalize Only
Parks infrastructure	\$10,000
Buildings	\$10,000
Machinery and Equipment	\$2,500
Vehicles	\$2,500
IT Infrastructure	\$2,500
Engineered Structures	\$10,000

Thresholds apply to capital goods purchased and capital projects constructed with the total cost of the goods or project meeting the threshold criteria. Long term assets not individually meeting threshold limits, but when purchased volumes meet the limit, are to be capitalized. Improvements are capitalized when they extend the useful life of the asset. Betterments are considered to be part of the cost of a TCA and would be added to the recorded cost of the related asset.

9. TCA INVENTORY - OWNERSHIP

Ownership of assets requires safeguarding, maintenance, amortization for replacement and possibly write-downs. These requirements are addressed in this section.

It is the responsibility of Village staff to ensure capital assets are maintained and safeguarded.

Amortization is an annual charge to expenditures for the use of a capital asset. The Village sets amortization rates on a straight line basis based the on number of years in service less salvage value. The asset categories are amortized as follows:

Asset Category	Amortization of Cost less Savage Value
Land	Not amortized
Land Improvements	Straight line over useful life of each asset unit
Parks Infrastructure	Straight line over useful life of each asset unit
Buildings	Straight line over useful life of each asset unit
Machinery and Equipment	Straight line over useful life of each asset unit
Vehicles	Straight line over useful life of each asset unit
IT Infrastructure	Straight line over useful life of each asset unit
Engineered Structures	Straight line over useful life of each asset unit

In the year an asset is acquired, put into service, or disposed of, amortization is calculated at 50%. Appendix A provides a general guide for useful life.

When conditions indicate that a TCA no longer contributes to the providing of goods and services, or that the value of future economic benefits associated with the TCA is less than its net book value, the cost of the TCA should be reduced to reflect the decline in the asset's value. The net write-downs of TCA'S should be accounted for as expenses in the Statement of Operations. A write-down should not be reversed.

10. TCA INVENTORY – DISPOSAL

Disposal procedures for capital assets are in accordance with the Village's Procurement Policy. All disposals of TCA'S are recorded in the Village's financial statements in accordance with PSAB 3150.

11. PRESENTATION AND DISCLOSURE

In accordance with CICA Public Sector Guideline 7 (PSG 7), the Village shall disclose for each major category of TCA'S:

- a. Cost at the beginning and end of the period;
- b. Additions in the period;
- c. Disposals in the period;
- d. The amount of any write-downs in the period;
- e. The amount of depreciation for the period;
- f. Accumulated amortization at the beginning and end of the period; and,
- g. Net carrying amount at the beginning and end of the period.

In addition, the Village shall also disclose:

- a. The method used to determine the cost of each major category of TCA;
- b. The amortization method used, including amortization period or rate for each major capital category of TCA;
- c. The net book value of TCA'S not being amortized because they are under construction or development or have been removed from service;
- d. The nature and amount of contributed TCA'S received in the period;
- e. The nature and use of TCA'S disclosed at nominal value;
- f. The nature of the works of art and historical treasures held; and,
- g. The amount of interest included in cost in the period.

APPENDIX A

ASSET USEFUL LIFE – General Guidelines

<u>ASSET TYPE</u>	<u>USEFUL LIFE IN YEARS</u>
Land	Not Amortized
Land Improvements	
Parking Lots	20-50
Lighting	20-35
Pathways/Walkways	10-75
Fencing	10-35
Parks Infrastructure	
Playground Equipment	15 – 30
Pathways	10 – 75
Public Washrooms and Showers	20 – 70
Docks, Wharves and Boat Ramps	10 – 25
Tennis Courts	15 – 40
Lighting	15 – 20
Fencing	10 – 35
Buildings	20 - 70
Machinery & Equipment	
Smaller Equipment and Furnishings	5 - 10
Heavy and Light Equipment	5 - 10
IT Infrastructure	
Hardware, Computers, Printers, Scanners, Photocopiers	4 - 5
Software	5 - 7
Wiring	20 - 25
Radio and Telephone Network	7 - 10
Vehicles	
Cars and Light Trucks	5 – 10
Fire Trucks	15 - 20
Engineered Structures	
Roadway	15 – 75
Water	10 – 100
Wastewater	10 – 100
Drainage	10 – 100