Village of Cache Creek

Policy No. B-12

Capital Asset Policy

Date Approved by Council:
April 14, 2009

Effective:
April 14, 2009

Date Amended by Council:

Effective:

PURPOSE

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

Financial Statements prepared for fiscal the year starting January 1, 2009 will require compliance with PSAB 3150 and must include 2008 comparative figures.

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:

i. 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;
ii. have useful economic lives extending beyond an accounting period;
iii. are to be used on a continuing basis; and
iv. are not for sale in the ordinary course of operations.

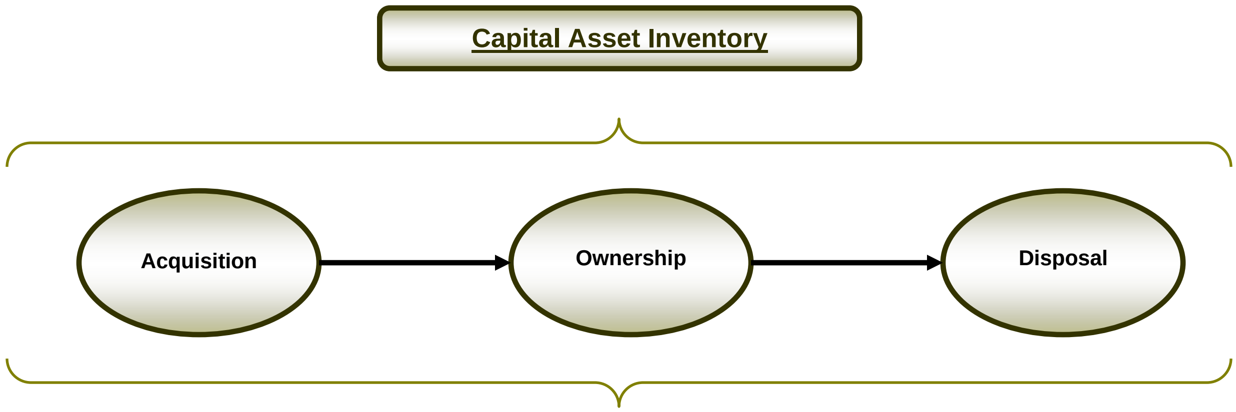
PRINCIPLES

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

1. 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.
2. Only capital items meeting the capital asset criteria in this policy will be budgeted as capital.
3. Materiality is considered.
4. The village complies with legislative requirements.

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.



TCA Inventory - Acquisition

Tangible Capital Assets are recorded at historical cost. TCA's are recognized as assets on the Village's Statement of Financial Position on date of receipt for capital goods or when the asset is put into use for capital projects.

COST as defined by PSAB 3150, is the gross amount of consideration given up to acquire, construct, develop or better a TCA, 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 value at the date of contribution. Capital grants would not be netted against the cost of the related TCA. The cost of a leased TCA is determined in accordance with Public Sector Guidelines for Leased Tangible Capital Assets.

For assets owned by the Village but not paid by the Village including contributions gifts, and donations, valuation may be assessed by fair value. **FAIR VALUE** is the amount of the consideration that would be agreed upon in an arms length transaction between knowledgeable, willing parties who are under no compulsion to act.

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 depreciated or treated as a current year expense. For financial reporting purposes thresholds are set fairly high, however, details may be useful for the Village's capital asset management program. Therefore, an optimal threshold for each asset category is a balance between the two. Threshold values should be reviewed periodically and adjusted for inflation.

Asset Category	Threshold
Land	Capitalize Only
Parks Infrastructure	$5,000
Buildings	$5,000
Building Improvements	$5,000
Construction in Progress	Capitalize Only
Machinery and Equipment	$2,500
Vehicles	$2,500
IT Infrastructure	$2,000
Infrastructure (e.g. water, electrical wastewater, roads etc.)	$10,000

Thresholds apply to capital goods purchased and capital projects constructed with the total cost of the good or project meeting the threshold criteria. Long term assets not individually meeting threshold limits, when purchased in sufficient volume to meet the limit are to be capitalized. The minimum useful life threshold is set at two years.

Further refinement to threshold levels will occur as the Village develops an understanding of its asset and reporting needs. Improvements are capitalized when they extend the useful life of the asset.

Classification, Aggregation & Segmentation

The level of detail required in the capital asset inventory is a balance between cost of data collection, tracking and analysis and the beneficial use of the information gathered. The full cost of preparing a TCA for its intended use is considered the aggregate cost of the capital asset. The aggregate cost may be further segmented into elemental components based on useful life.

LAND
Land owned by the Village includes parkland, land for Village owned facilities and land under roads and sidewalks. All land owned by the Village is segmented by each parcel held. Village parkland and the land for Village facilities and leased facilities is quantified and included in the Village's land database. Due to the age of the land under roads and sidewalks, existing Village land under the roads and sidewalks are considered to have a nominal value of $1.

PARKS INFRASTRUCTURE
Parks infrastructure includes playground equipment, outdoor pools, and fencing. Each asset when capitalized is separately recorded with an attached useful life.

BUILDINGS
Buildings owned by the Village include the Village office, community hall, and any other buildings the village holds or acquires, including leaseholds. New buildings may be segmented by envelope, roof and equipment and other significant component parts based on useful life. This treatment provides for capital replacement of each component over the years of ownership.

BUILDING IMPROVEMENTS
Building improvements include furniture, fixtures and equipment along with interior fit-outs required to make the building ready for use. Furniture, fixtures, equipment and fit-outs are capitalized if purchased in volume and the volume exceeds the threshold limit or if the individual cost of individual items exceed the threshold.

CONSTRUCTION IN PROGRESS
Construction in progress contains capital projects underway but not complete or put to use. These projects may be individually segmented and are capitalized if costs exceed threshold limits.

VEHICLES, MACHINERY AND EQUIPMENT
Vehicles, machinery and equipment are pooled, segmented at unit level for threshold purposes.

IT INFRASTRUCTURE
IT infrastructure includes hardware, infrastructure, computers, printers, scanners, photocopiers and the telephone network. This IT infrastructure is capitalized if each purchase or project meets threshold limits.

INFRASTRUCTURE

WATER
The water system components may be segmented by water mains, valves, hydrants and services. Aggregation for threshold purposes is by capital project. Capital projects when complete are recorded as assets by allocating costs to each component part.

SEWER AND DRAINAGE
The sewer system components may be segmented by sewer mains, pump stations, manholes, catch basins and services. Aggregation for threshold purposes is by capital project. Capital projects when complete are recorded as assets by allocating costs to each component part.

TRANSPORTATION
Transportation assets include and may be segmented by roads, lanes, sidewalks, traffic intersections, street lights, signage, and structures. Aggregation for threshold purposes is by capital project. Capital projects when complete are recorded as assets by allocating costs to each component part.

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 administration to ensure capital assets assigned to his or her custody 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. The asset categories are amortized as follows:

Asset Category	Amortization of Cost
Land	Not amortized
Land Improvements	Straight line over useful life of each asset unit
Buildings	Straight line over useful life of each asset unit
Building Improvements	Straight line over useful life of each asset unit
Construction in Progress	Not amortized
Vehicles, Machinery and Equipment	Straight line over useful life of each asset unit
Infrastructure (e.g. water, wastewater, roads etc.)	Straight line over average useful life of each segment

Amortization is calculated at 50% of the rate for the first year the asset is placed in service and at the full annual rate thereafter. Economic useful life is used for amortization rather than physical useful life. Attachment IV provides a general guide for useful life.

A write down of assets occurs when reduction in future economic benefit is expected to be permanent and the value of future economic benefit is less than the TCA's net book value. A write down should not be reversed.

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 accounting standards.

ATTACHMENT I

ASSET USEFUL LIFE – General Guidelines

ASSET TYPE	**DEPRECIABLE LIFE IN YEARS**
Parks Infrastructure	
Playground Equipment	15 - 20
Washrooms, Concessions, Picnic Shelters	40 - 50
Outdoor pools, spray pools	50 - 60
Building Structure	40 - 75
Building Improvements	
Exterior Envelope	30 - 40
HVAC Systems	10 - 12
Roofs	15 - 20
Electrical/Plumbing/Fire	15 - 20
Site works – Ashphalt, water and sewer lines, etc.	10 - 100
Machinery & Equipment	
General Equipment	7 - 10
Grounds Equipment and Machinery	10 - 15
Heavy Construction Equipment	5 - 10
Vehicles	
Cars and Light Trucks	5 – 10
Fire Trucks	20- 25
IT Infrastructure	
Hardware	3-5
Software	3-5
Telephone system	5-7
Infrastructure (dependent upon component and material)	
Electrical	20 - 25
Water	10 - 100
Sewer	10 - 100
Drainage	10 - 100
Transportation	10 - 100

APPROVAL HISTORY

APPROVED BY:	**DATE:**

ACCOUNTING PROCEDURE

Preliminary transition steps are as follows:

- i. Remove Tangible Capital Assets and Investment in Tangible Capital Assets from the Statement of Financial Position.
- ii. Keep long term debt as a financial liability.
- iii. Add to the Statement of Financial Position, the recently valued, currently held, tangible capital assets along with related accumulated amortization. The offsetting account is prior year surplus.
- iv. Record new additions on the Statement of Financial Position with the offsetting entry to cash, accounts payable or long term debt. Do not expense the cost of capital assets.
- v. Record disposals at the time of replacement. Disposals reduce the cost of the asset, accumulated amortization with the residual recorded as either an expense or revenue.
- vi. Amortize the assets each year. Budget for amortization.
- vii. Write-downs are an adjustment to the cost of the TCA (PSAB 3150.31) and expense.
- viii. Offsetting adjustment for amortization in the budget for the purposes of a balanced budget is a transfer from equity.
- ix. Budgeting for capital assets will be for the costs expected on the Statement of Financial Position.

Tangible Capital Assets on the financial statements will result in net capital assets on the balance sheet and expenditures for depreciation and write-downs on the income statement.

PRESENTATION AND DISCLOSURE

In total and for each major category of capital assets, the Village will disclose the following in accordance with CICA Public Sector Guideline 7 (PSG-7):

- 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;
- g. Net carrying amount at the beginning and end of the period;

Also in accordance with PSG-7 disclosure will include:

- 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 tangible capital assets disclosed at nominal value;
  - f. The nature of the works of art and historical treasures held by the government ; and
  - g. The amount of interest included I the cost in the period.