	The Village of Port Clements Policy and Procedures Manual Policy No 24,2023 Tangible Capital Assets Policy

1. **Purpose of Policy**
   1.1. The purpose of the Tangible Capital Asset Policy is to provide direction on recognizing, recording, valuing, and reporting on Tangible Capital Assets (TCAs) on a consistent basis and in accordance with the Public Sector Accounting Board (PSAB) Handbook Section 3150.

   1.2. This policy also covers policies and procedures to protect and control the use of all tangible capital assets, provide accountability over tangible capital assets, and gather and maintain information needed to prepare financial statements.

   1.3. This policy demonstrates an organization-wide commitment to the good stewardship of municipal infrastructure assets, and to improve accountability and transparency to the community through the adoption of best practices regarding asset management planning.

2. **Scope**
   2.1. All Tangible Capital Assets acquired by the Village of Port Clements (the Village), whether by way of transfer, exchange, lease, donation, or purchase, are subject to this policy.

3. **Definitions**

"Amortization" means the accounting process of allocating the cost less residual value of a tangible capital asset to operating periods as an expense over its useful life in a rational and systematic manner appropriate to its nature and use.

"Asset Retirement activities" includes all activities related to an asset retirement obligation. These may include, but not limited to:

i. Decommissioning or dismantling a tangible capital asset that was acquired, constructed, developed or leased;
ii. Remediation of contamination of a tangible capital asset created by its normal use;
iii. Post-retirement activities such as monitoring;
iv. Constructing other tangible assets to perform post-retirement activities

"***Asset Retirement Cost***" means the estimated amount required to retire a tangible capital asset

"Asset Retirement Obligation" means a legal obligation associated with the retirement of a tangible capital asset.

"Betterment" means subsequent expenditures on a tangible capital asset that: increases previously assessed output or service capacity, lowers associated operating costs, extends the useful life of the asset, or improves the quality of the output.

"Capital Lease" means a non-financial asset that has physical substance and useful life extending beyond as accounting period and is held under lease by the Town for use, on an ongoing basis, in production or supply of goods and services. Under the terms and conditions of the lease, substantially all the benefits and risks incident to ownership are, in substance, transferred to the municipality without necessarily transferring legal ownership.

"Cost" means the gross amount of consideration given to acquire, construct, develop or better a tangible capital asset and includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset.

"Fair Value" means the amount of 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 cost of a tangible capital asset less accumulated amortization and the amount of any write-downs.

"Residual Life" means the estimated net realizable value of a tangible capital asset at the end of its useful life to the Village.

"Tangible Capital Asset" or "TCA" means a non-financial asset having a physical substance that: is used on a continuing basis in the Village's operations to deliver municipal services and programmes, has a useful life that extends beyond one year, and is not held for resale in the ordinary course of operations.

"Useful Life" means the estimated period over which a capital asset is expected to be used by the Village. A tangible capital asset's useful life may be shorter than the actual life of the asset due to limitations on the physical, technological, commercial or legal life of the asset.

"Write-down" means a reduction in the cost of a tangible capital asset to reflect the decline in the asset's value due to a permanent impairment.

1. POLICY STATEMENTS

4.1 Valuation

Tangible capital assets should be recorded at cost plus all charges directly attributable to place the asset in its intended location and condition for use.

The cost of purchased assets is composed of the consideration paid to acquire the item including all non-refundable taxes, duties, freight and preparation costs net of any discounts or rebates.

For land, the cost will include expenses such as legal fees, land registration and transfer taxes as well as any costs that make the land suitable for its intended use, such as demolition costs or site improvements (including reclamation) that become part of the land.

The cost of construction or developed assets will include all costs directly attributable to the asset constructed or developed including, but not limited to, construction costs, professional fees, design costs, advertising costs, construction supervision costs and fixed equipment costs.

Donated or contributed assets will be recorded at the fair value at the date it was received. Fair value may be determined using market or appraisal values.

4.2 Capitalization

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 over its useful life or treated as a current year expense.
Threshold values should be reviewed periodically and adjusted for inflation.

The tangible capital assets should be capitalized according to the following thresholds:

ASSET CATEGORY	THRESHOLD
Land	Capitalize All
Land Improvements/Park Infrastructure	$10,000
Buildings	$25,000
Building Improvements	$10,000
Office Equipment and Furniture	$1,000
IT/Computer/Communications Equipment	$2,500
Light Vehicles	$5,000
Machinery and Equipment	$5,000
Other Infrastructure (Roads, Water, Sewer, Solid Waste)	$25,000
Streetlights and Signs	$2,500

4.3 Categories

A category of assets is a grouping of assets of a similar nature or function in the Village operation. The following categories shall be used:

1. Land
   Land owned by the Village incudes parkland and land for Village owned facilities and is segmented by each parcel held and by service.
   A right of way, where the Village has the right to enter or occupy private property, is not a TCA and will be recorded as an operating expense.

2. Land Improvements/Park Infrastructure
   Land improvements/Park infrastructure include parking lots, park trails, playground equipment, fencing, and sport fields. Each asset when capitalized is separately recorded with an attached useful life.

3. Buildings
   Buildings include all structures that provide shelter from the elements. Buildings can be segmented by structure and significant components based on useful life if it provides better information for asset management purposes.

4. Building Improvements
   Building improvements include HVAC systems, process control systems and building components with a useful life less than the building itself and are capitalized when they exceed the threshold.

5. Office Equipment and Furniture
   Office equipment and furniture are capitalized if the cost of individual items exceeds the threshold or if purchased in volume and the volume exceeds the threshold limit.

6. IT/Computer/Communications Equipment
   IT infrastructure includes software, hardware, infrastructure, computes, printers, scanners, and servers. Communications equipment includes telephones, satellite phones and radio systems, including repeaters, antennas, associated infrastructure. These types of equipment and infrastructure are capitalized if each purchase (individually or in volume) or project meets threshold limits.

7. Light Vehicles
   Light Vehicles are capitalized if the cost of the individual item exceeds the threshold.

8. Machinery and Equipment
   Machinery and equipment are capitalized if the cost of individual items exceeds the threshold or if purchased in volume and the volume exceeds the threshold limit.

9. Other Infrastructure
   Infrastructure includes underground systems such as water and sewer systems which are generally constructed or arranged in a continuous and connected network, or water and sewer components that do not qualify as a building. Solid waste infrastructure would also be included in this classification.

4.4 Amortization

Amortization is a charge to expenditures for the use of a capital asset. Tangible Capital Assets are amortized on a straight-line basis over the estimated economic useful life. Annual amortization is charged in the year of acquisition and in the year of disposal.

A general guideline for determining the estimated useful life of an asset is attached in Appendix "A".

Assets under construction are not amortized until the asset is available for productive use and includes interest on related debt.

4.5 Donated or Contributed Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are recorded as revenue.

4.6 Cultural and Historical Tangible Capital Assets

Works of art and historical treasures will not be recognized as tangible capital assets in the financial statements because a reasonable estimate of future benefits associated with such property cannot be made. However, the existence of such property will be disclosed.

4.7 Disposals and Write Downs

When tangible capital assets are disposed of, scrapped, dismantled, or replaced due to obsolescence, it is recorded in the Village financial statements. The asset registers and accounting records will show a gain or loss on disposal.

Disposals of tangible capital assets must comply with the Village policies and procedures.

A write down of a tangible capital asset would occur when the net book value exceeds the fair value of the asset. A write down is caused by a permanent impairment of the assets value. A write down can not be reversed.

5. Related Policies or Documents

Public Sector Accounting Board Handbook Section 3150.

6. Review

This policy shall be reviewed every three (3) years.

7. Approved

Scott Cabianca, Mayor

Marjorie Dobson, CAO

February 21, 2023

Date

APPENDIX A – Guidelines for Estimating Capital Asset Useful Life

ASSET TYPE	Useful life in years
Land Improvements/Park Infrastructure	
Parking lot – gravel	50-100
Parking lot – paved	40-50
Playground Equipment	10-15
Baseball Diamonds, Soccer Pitch	25
Tennis court, Basketball court, Baseball court, Skatepark	25
Washrooms, Concessions, Shelters	30-50
Retaining walls	20-40
Outdoor lighting	15-20
Trails	15-75
Park	75-100
Fences	20
Other Land Improvement Structures	10-75
Buildings	
Permanent	35-150
Portable	25-40
Building Improvements	
Exterior envelope	30-75
HVAC systems	10-15
Roofs	15-50
Electrical/Plumbing/Fire	20-75
Other Building Improvements	10-100
Office Equipment and Furniture	
Photocopy/Printer/Multi function device machines	5
Office furniture	10
Office equipment	5
IT/Computer/Communications Equipment	
Hardware	5
Software	5
Radios	10
Phone system and equipment	10
Light Vehicles	
Cars, SUVs and Light Trucks	7-10
Machinery and Equipment	
Heavy Vehicles	15
Loader, Grader,	15
Mowing equipment	10
Tractor	15
Trailers	25
Fire Trucks	25
Compactor	25
Operating equipment	5-20

Other machinery & equipment	10-20 (variable)
Roads	
Ditch	20-50
Paved road	30-40
Gravel road	20
Culverts	40
Sidewalks	40
Signs	20
Water and Wastewater Systems	
Water Production & Treatment	10-150
Water Distribution	10-150
Wastewater Collection	10-150
Wastewater Treatment	10-150