TITLE: TANGIBLE CAPITAL ASSETS	NO. COU-051

1.0 STATEMENT OF POLICY

This policy is to provide a framework for accounting and reporting Tangible Capital Assets (TCA) by implementing the standards set by the Public Sector Accounting Board (PSAB) as legislated through the Community Charter.

This policy does not provide guidance on application of capital funding, nor does it provide guidance on asset management.

2.0 SCOPE

All tangible capital assets owned by the District of North Saanich that are within the definition of PS 3150 and have costs that are within the threshold as defined under this policy.

3.0 OBJECTIVE

The primary objective is to account for and report tangible capital assets in the financial statement as stated under PS 3150.

4.0 AUTHORITY

The Public Sector Accounting Board (PSAB) issued PS 3150 that sets the standard on the accounting and reporting of the tangible capital assets. The Public Sector Accounting Board (PSAB) is an independent body with the authority to set accounting standards for the public sector including municipalities within Canada.

5.0 TANGIBLE CAPITAL ASSET

The definition and description of a tangible capital asset can be found under PS 3150.05(a). The description is general in nature and applies to all municipal governments. However, unique regional and local needs and experiences require further addition of details to the description.

All tangible property owned by the District which qualifies as tangible capital assets (TCA) are addressed in this policy. In accordance with PSAB 3150.05, tangible capital assets are non-financial assets having physical substance that:

- 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;
- Have useful economic lives extending beyond an accounting period;
- Are to be used on a continuing basis; and
- Are not for sale in the ordinary course of operations.

Intangible assets, such as copyrights, trademarks, patents, easements and rights of way do not fall under this policy and are not capitalized.

Threshold and Estimated Useful Life

The District's threshold levels were set taking into consideration the cost associated with data collection and storage as against the benefits achieved by users of the data and reports. Thresholds are set by project, individual asset, or pool.

Useful life of tangible capital assets should be at least 2 years or more. Life of the asset can be either its physical, technological, commercial or legal life. It is the period of time for which the asset is expected to meet service demands. Useful lives should be based on the District's own experience and plans for the assets.

The following schedule will be the guide for qualifying tangible capital assets.

Asset Category	Threshold	Est. Useful Life
Land	$ 1	Unlimited
Land Improvements	$ 20,000	10 – 25 years
Buildings, Fixtures & Imp.	$ 20,000	25 – 50 years
Passenger Vehicles	$ 10,000	7 - 10 years
Fire Trucks & Heavy Duty Vehicles	$ 10,000	15 – 20 years
Machinery & Heavy Equipment	$ 10,000	10 – 20 years

Other Equip., Tools & Furnishings	$ 5,000	2 – 10 years
Road Bed - Paved	$ 50,000	75 years
Road Surface - Paved	$ 50,000	15 – 30 years
Sidewalks	$ 25,000	10 – 30 years
Drainage/Water/Sewer-Mains	$ 50,000	80 years
Drainage/Water/Sewer-Components	$ 50,000	20 – 40 years
Drainage/Water/Sewer-SCADA	$ 50,000	8 years
Engineering Structures - Others	$ 10,000	At least 10 years
Work in Progress	Based on above category	n/a

Pooling

Pooling is recording a group of individual assets into one with a value that exceeds the threshold. Pooling will be applied to a computer network or system installed at the same time frame. Any additions will be treated separately as individual asset.

Betterments

Betterments that increase the useful life or capacity of an asset by greater than 10% of the original useful life or have a cost greater than 10% of the historical cost of the asset will be added to the recorded cost of the related asset. Betterments will be amortized over the revised remaining useful life of the asset.

In general, service potential is enhanced when there is an increase in the previously assessed physical output or service capacity, where associated operating costs are lowered or where the useful life of the asset is extended.

Expenditures incurred to maintain the originally anticipated service potential of an asset or infrastructure component, or its estimated useful life, are considered maintenance.

Write Downs

A write down of an asset 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 cannot be reversed.

Disposals/Retirements

All disposals or retirements of TCA are recorded in the District's financial statements in accordance with PSAB PS3150. Infrastructure assets that are part of a network will only have a disposal if the replacement of the elements of the network exceeds the established threshold. In most cases, the annual replacement of a small percentage of the network will be an operating expense and there will not be any asset disposal. The annual replacement of individual assets in a pool will also be considered an operating expense if less than the established threshold and no asset disposal will be recorded.

Disposal procedures for capital assets are in accordance with the District's purchasing management services policy.

Measurement

Valuation Methods

PS 3150 requires that tangible capital assets should be recorded at cost. The cost includes purchase price or acquisition cost including installation cost, design, engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs and duties. In a constructed asset, cost includes direct construction and overhead costs directly attributable to the construction including technical and administrative work prior to the commencement of and during construction.

Contributions

Tangible capital assets which are contributed or donated to the District are to be recorded at fair value.

Overhead

Costs directly attributed to a capital project or asset will be included in its capital cost. General administrative overhead will not be allocated to the capital cost.

Inventory

Asset Categories

The District's Tangible Capital assets are classified into the following major inventory categories:

Land

This asset category includes any land owned by the District including land on District owned facilities, rental properties, parks, roads and road allowances, but not land held for resale. Easements and rights of way are not controlled or managed by the District and will not be recorded by the municipality as a tangible capital asset.

Land Improvements

Land improvement includes all tangible improvements of a permanent nature on District owned land such as parking lots, park trails, playground equipment, sport fields, landscaping, lighting, pathways and fencing.

Buildings

This refers to buildings owned or co-owned by the District including all permanent, temporary and portable building structures, such as municipal offices, RCMP detachment, fire hall, cultural & recreation facilities, storage facilities, and park buildings intended to shelter people, goods, machinery, equipment and working space. When possible and practical, a building is segmented into its component parts with different useful lives. Amortization is calculated on each component type.

Vehicles, Machinery, Equipment

This asset category includes all vehicles used primarily for transportation purposes, machinery and equipment used for constructing and maintaining infrastructure, fitness equipment, fire equipment, office equipment, furnishings, computer hardware and system. Machinery & Equipment are to be capitalized if the cost of the individual items exceeds the threshold or if purchased in volume and the volume exceeds the threshold limit.

Roads Network Infrastructure

This includes all roads and its components including street lights, bike lanes shared with roads, sidewalk, and curb and gutter.

Drainage System Infrastructure

Drainage or storm drain system includes mains, service connections, catch basins, culverts, ditches, flood boxes, inlets/outlets, lawn basin, manholes/chambers, oil and grit separator, pump and lift stations, outfalls and retention ponds.

Water System Infrastructure

Water system includes mains, service connections, stand pipes, fire hydrants, meters, monitoring stations and system, reservoir, treatment plants, stationary equipment, pressure reducing valve stations, pump and lift stations, and wells.

Sewer System Infrastructure

Sewer or wastewater system includes mains, cleanouts, manholes/chambers, monitoring stations, siphons, service connections, pump and lift stations, and treatment plants, stationary equipment and lagoons.

Other Tangible Capital Assets

This category includes assets that are owned by the District but do not belong to any of the above asset categories.

Work in Progress

This category covers capital projects under construction or completion and not yet used for normal operation.

Amortization

Tangible capital assets will be amortized using the straight-line method. The straight-line method assumes that the asset's economic usefulness is the same each year. The amortization amount is determined by dividing the asset's historical cost by its estimated useful life. Amortization begins on the estimated in-service date of the asset. Land and work-in-progress will not be amortized.

Reporting

Tangible capital assets are reported as required under PS 3150 and PS 1200.

6.0 RESPONSIBILITIES

Finance Division

The policy, including threshold and estimated useful life, will be reviewed every 3 years