

**Third Reading**

Council of the Township of Wollaston

Session

No.

72-08

Moved by Ron Earl

Seconded by

[Signature]

That a by-law to create a tangible Capital Asset Policy for the Township of Wollaston.

As reported by the committee of the Whole be read a third time, passed and numbered \_\_\_\_\_ and that the said by law be signed by the Reeve and clerk, sealed with the seal of the Corporation, and be engrossed in the by-law book.

Carried \_\_\_\_\_

**Second Reading**

Council of the Township of Wollaston

Session

No.

200

Moved by [Signature]

Seconded by

Graham Blair

That a by-law to \_\_\_\_\_

Be read a second time and be referred to a committee of the whole council.

Carried \_\_\_\_\_

**First Reading**

Council of the Township of Wollaston

Session

200

Moved by Graham Blair

Seconded by

[Signature]

That a by-law to \_\_\_\_\_

be received and read a first time.

Carried

[Signature]

**THE CORPORATION OF THE TOWNSHIP OF WOLLASTON**

**BY-LAW NUMBER 72-08**

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Being a by-law to create a  
Tangible Capital Asset Policy  
For the Township of Wollaston

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WHEREAS a Tangible Capital Asset Policy promotes compliance with the Public Sector Accounting Board (PSAB) Handbook Section PSAB 3150;

AND WHEREAS PSAB 3150 requires municipalities to record their Tangible Capital Assets on the statement of financial position and amortize them over their useful life;

AND WHEREAS this new standard will come into effect for fiscal years starting January 01, 2009;

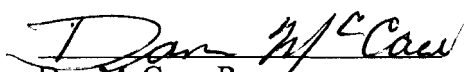
NOW THEREFORE the Council of the Corporation of the Township of Wollaston hereby enacts as follows:

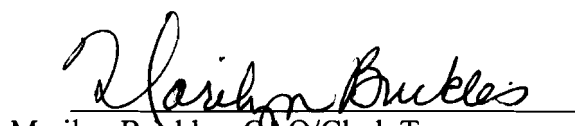
1. THAT the Township shall develop and implement a Tangible Capital Asset Policy in accordance with PSAB 3150.
2. THAT the Tangible Capital Asset Policy as drawn up under Schedule "A" attached hereto and forming part of this By-law shall come into force and have effect immediately upon the passing thereof.
3. THAT the aforementioned policy may be amended from time to time under resolution of Council.

READ a First time this 17<sup>th</sup> day of December, 2008.

READ a Second time this 17<sup>th</sup> day of December, 2008.

READ a Third Time and finally passed this 17<sup>th</sup> day of December, 2008.

  
Dan McCaw, Reeve

  
Marilyn Briskles, CAO/Clerk Treasurer

## SCHEDULE "A"

### **CAPITAL ASSET POLICY**

#### **PURPOSE:**

The objective of this policy is to prescribe the accounting treatment for tangible capital assets so that users of the financial report can discern information about the investment in property, plant and equipment and the changes in such investment. The principal issues in accounting for tangible capital assets are the recognition of the assets, the determination of their carrying amounts and amortization charges and the recognition of any related impairment losses.

#### **SCOPE:**

This policy applies to all Municipal departments, boards and commissions, agencies and other organizations falling within the reporting entity of the Municipality.

#### **DEFINITIONS:**

##### **Tangible Capital Assets:**

Assets having physical substance that;

- a) Are used on a continuing basis in the Municipality's operations.
- b) Have useful lives extending beyond one year.
- c) Are not held for re-sale in the ordinary course of operations.

##### **Betterments:**

Subsequent expenditures on tangible capital assets that:

- increase previously assessed physical output or service capacity;
- lower associated operating costs;
- extend the useful life of the asset; or
- improve the quality of the output.

Any other expenditure would be considered a repair or maintenance and expensed in the period.

##### **Group Assets:**

Assets that have a unit value below the capitalization threshold but have a material value as a group; normally recorded as a single asset with one combined value. Although recorded in the financial systems as a single asset, each unit may be recorded in the asset sub-ledger for monitoring and control of its use and maintenance. Examples could include personal computers, furniture and fixtures, small moveable equipment, etc.

##### **Fair Value:**

Fair value is 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.

##### **Capital Lease:**

A capital lease is a lease with contractual terms that transfer substantially all the benefits and risks inherent in ownership of property to the Municipality. For substantially all of the benefits and risks of ownership to be transferred to the lessee, one or more of the following conditions must be met;

- a) There is reasonable assurance that the Municipality will obtain ownership of the leased property by the end of the lease term.
- b) The lease term is of such a duration that the Municipality will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span.
- c) The lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement.

**Capital Asset Addition Overview:**

A. Purchased Capital Assets greater than the capitalization threshold for the asset class should be recorded at historical/original cost. The cost of a capital asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition – such as freight and transportation charges, site preparation costs and professional fees.

Group purchases of assets greater than the capitalization threshold should be recorded at historical cost. Group assets are assigned to one specific location, are movable property requiring loss control, and have a useful life extending beyond a single reporting period. Group assets include office furniture, library books, and computer equipment. Group purchases less than the threshold are not capitalized.

Capital Assets should be amortized over their useful lives as determined for each asset class. Land, and some land improvements, are considered inexhaustible and are, therefore, not subject to amortization.

B. If determining historical costs is not practical due to inadequate records, reporting should be based on estimates of original cost at the date of construction or purchase.

C. Depending upon the information available and the category of the asset, capital asset records should include all or part of the following:

Description	Estimated Useful Life
Asset Class	Amortization Method
Serial Number	Salvage Value
Cost	Accumulated Amortization
Location or Functional Area	Amortization Expense
Acquisition Date	Replacement Cost

D. The Department Head must inform the Treasurer of each asset acquisition so all the required information is recorded in the asset register for future tracking, amortization and accounting of the asset.

**Categories:**

A category of assets is a grouping of assets of a similar nature or function in the Municipality's operations. The following list of categories shall be used:

- Land
- Land improvements
- Buildings
- Roadway systems
- Machinery and equipment
- Vehicles
- Computer systems (hardware and software)
- Furniture and office equipment

**Donations:**

Donated Capital Assets must be reported at fair market value plus ancillary charges, if any, at the time of donation. Donated assets are amortized over their useful lives as determined for each asset class. If determining historical costs is not practical due to inadequate records, reporting should be based on estimated fair market value at the date of donation.

**Collections:**

Works of art, historical treasures and similar assets should not be capitalized.

**Infrastructure:**

*Definition:* Infrastructure assets are long-lived capital assets that normally are stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. Infrastructure includes roads, electrical distribution systems, street lighting, water wells, etc.

- A. Infrastructure assets should be amortized over their useful lives.
- B. Routine repairs and maintenance costs are charged to operations as incurred. Expenditures that extend the useful life of the infrastructure are capitalized as part of the asset and amortized over the newly established useful life.

**Useful Lives:**

Useful lives of capital assets relate to the life expectancy as used by the specific governmental unit. The following table should be used to assist the municipality in estimating the useful life of a capital asset:

**Asset Class Examples Years/Range**

Land	N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting 15-20
Buildings	40-50
HVAC Systems	Heating, ventilation and air conditioning systems 20-25
Roofing	20-25
Interior Construction	25-30
Carpet Replacement	5-7
Electrical/Plumbing	25-30
Sprinkler/Fire System	20-25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps 15-20
Machinery & Tools	Shop & maintenance equipment, tools 10-15
Kitchen Equipment	Appliances 10-15
Custodial Equipment	Floor scrubbers, vacuums, other 5-10
Furniture & Accessories	Classroom and office furniture 15-20
Business Machines	Fax, duplicating & printing equipment 5-10
Communication Equipment	Mobile, portable radios, non-computerized 5-10
Computer Hardware	PC's, printers, network hardware 3-5
Computer Software	Instructional, other short-term 5-10
Audio Visual Equipment	Projectors, cameras (still & digital) 7-10
Library Books	Collections 5-7
Licensed Vehicles	Buses, other on-road vehicles 8-10
Grounds Equipment	Mowers, tractors, attachments 10-15

**Amortization:**

- A. Amortization is required for the Municipality's Capital Assets. Amortization is allocated to expense in a systematic and rational manner. Amortization is calculated using the Straight Line method and reported by areas of activity (function). The municipality calculates amortization on all capital assets reported in the municipality's financial statements other than land, permanent improvements to land, and construction in progress.
- B. Amortization may be calculated for a class of assets, a network of assets or individual assets.
- C. Additions and disposals/reductions/writedowns will be deemed to have occurred on January 1<sup>st</sup> in the year of the change. A full year of amortization will be taken in the year of acquisition and none in the year of disposal.

**Disposals:**

- A. Sale of Capital Assets: When capital assets are sold, calculation of gain or loss on disposal is required. The calculation is based upon the amount of proceeds received less the net book value (cost less accumulated amortization taken on the asset).
- B. Trade-ins: The value given for a trade is part of the cost of the newly acquired asset. The costs and accumulated amortization of the traded-in asset must be removed from the books. Any gain or loss resulting from the disposition of the asset will be recognized as a gain or loss on disposal.
- C. Disposal of tangible capital assets is the responsibility of the appropriate Department Head. Department Heads must notify the Treasurer when assets become surplus to operations, destroyed or replaced due to obsolescence, scrapping or dismantling. Notification will include the asset description, asset number, effective date and the proceeds of the disposal (if any). The Treasurer is responsible for updating the asset registers and accounting records.

**Assets Acquired by Capital Lease:**

Assets acquired by Capital Lease are recorded at the net present value of the future minimum lease payments. A corresponding liability is established at this time. Assets acquired under the terms of capital leases are amortized over the useful lives designated for the asset class.

**Scheduled Review:**

The capital assets in each asset class should be reviewed periodically to ensure the municipality is still actively using all the assets and the assumptions regarding useful life and value remain the same.

**Summary Table of Classes, Capitalization Thresholds and Amortization Method**

<b>Major Asset Class</b>	<b>Minor Asset Class</b>	<b>Capitalization Threshold</b>	<b>Amortization Method</b>	<b>Review Schedule</b>	<b>Standard Useful Life</b>
Land		All land will be recorded	N/A	N/A	N/A
Land Improvements		\$5,000	Straight Line	Every 3 years	20 years
Buildings		\$5,000	Straight Line	Every 5 years	40 – 50 years
Engineered Structures	Roadway System	\$5,000	Straight Line	Every 5 years	
Machinery & Equipment		\$5,000	Straight Line	Every 3 years	4 – 20 years
Vehicles		\$5,000	Straight Line	Every 3 years	5 – 10 years
Computer System (Hardware & Software)		\$5,000	Straight Line	Every 3 years	4 – 10 years
Furniture & Office Equip.		\$5,000	Straight Line	Every 3 years	5 – 20 years
Group assets (all categories)		\$5,000	Straight Line	N/A	Average of group