



qathet

REGIONAL DISTRICT

SECTION 3	FINANCIAL POLICIES
POLICY	3.9
SUBJECT	CAPITAL ASSET POLICY
ADOPTED	DECEMBER 18, 2008

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.

SCOPE:

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

1. 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;
2. have useful economic lives extending beyond an accounting period;
3. are to be used on a continuing basis; and
4. are not for sale in the ordinary course of operations.

PRINCIPLES:

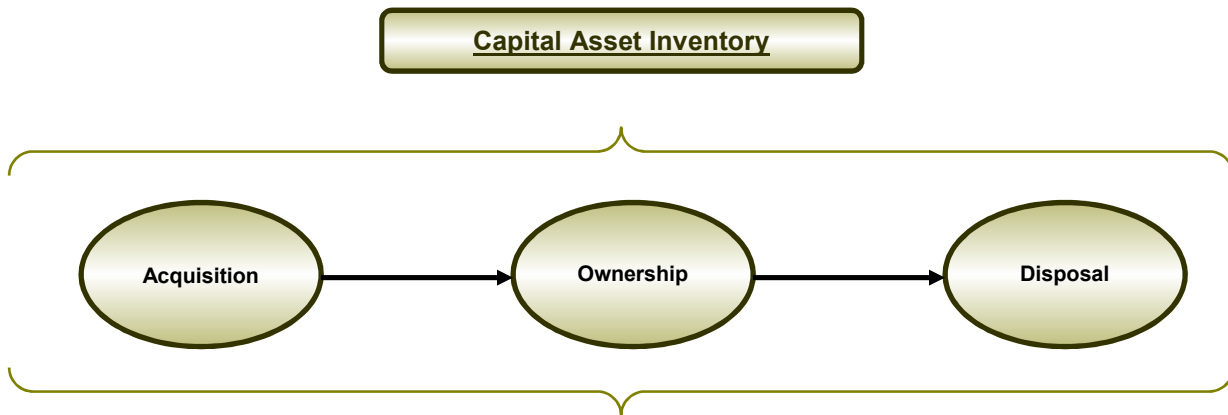
Principles in this policy provide guidance for policy development and assist with interpretation of the policy once applied.

1. The purpose of this policy is for the benefit of the Regional District as a whole; for the users of the Regional District's financial statements and managers of the Regional District's tangible capital assets.
2. The cost associated with data collection and storage is balanced with the benefits achieved by users of the data and reports.
3. Budgeting follows PSAB 3150. Only capital items meeting the capital asset criteria in this policy will be budgeted as capital.
4. Compliance is with all legislation applicable to regional districts.

5. Financial, operational and information technology system limitations are considered.
6. Materiality is considered.
7. Reporting deadlines are met.

POLICY:

This policy establishes a framework for the management and control of the Regional District’s capital assets. Included in this framework are proper recognition, measurement, thresholds, aggregation, segregation, amortization, reporting, safeguarding and disposal. Additional guidelines relating to the purchase of assets are found in the Regional District’s Purchasing Policy.



TCA Inventory - Acquisition

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

COST is determined as defined by PSAB 3150.

Thresholds

Thresholds are established for a minimum dollar value and number of years of useful life. The Regional District’s threshold levels have been set to meet the Regional District’s reporting needs.

Asset Category	Threshold for Cities with Revenues Less than \$10M
Land	Capitalize Only
Land Improvements	\$3,000
Parks and Recreation Infrastructure	\$3,000

Buildings	\$3,000
Building Improvements	\$3,000
Construction in Progress	Capitalize Only
Machinery and Equipment	\$3,000
Vehicles	\$3,000
Docks	\$3,000
Infrastructure (e.g. water, wastewater etc.)	\$3,000

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 but when purchased in volumes that meet the limit may be capitalized. Further refinement to threshold levels will occur as required for the Regional District's reporting needs. Improvements are capitalized when they extend the useful life of the asset.

Only items that will be used over a period of two years or more will be capitalized.

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. Classification is at the categories shown above for GASB 34 with infrastructure further segmented by utility type. These utility types include water and sewer.

The full cost of preparing a TCA for its intended use is considered the aggregate cost of the capital asset. The aggregate cost is further segmented into elemental components based on useful life.

LAND

Land includes all land owned by the Regional District and is segmented by each parcel held. Regional District parkland and the land for Regional District facilities and leased facilities is quantified and included in the Regional District's land database.

LAND IMPROVEMENTS

Land improvements include parking lots, fencing, gates, athletic fields, parking lot lighting etc.

PARKS AND RECREATION INFRASTRUCTURE

Parks and recreation infrastructure includes fencing, parks and recreation water and sewer systems and underground sprinkler systems. Each asset when capitalized is separately recorded with an attached useful life.

BUILDINGS

Buildings include all buildings owned by the Regional District including third party leased buildings. A building is 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 interior fit-outs required to make the building ready for use.

CONSTRUCTION IN PROGRESS

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

MACHINERY AND EQUIPMENT

Machinery and Equipment includes playground equipment, computers, software, peripherals, the telephone network and other machinery, non-licensed mobile equipment, equipment and furniture.

VEHICLES

Vehicles include all licensed vehicles.

DOCKS

Docks include all docks and ramps.

INFRASTRUCTURE

WATER

Water system components include and are 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

Sewer system components include and are segmented by sewer mains, pump stations, treatment facilities, outfalls, manholes, and service connections. 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 the manager or staff member to ensure capital assets assigned to her or his custody are maintained and safeguarded.

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

Asset Category	Amortization of Cost less Salvage Value
Land	Not amortized
Land Improvements	Straight line over useful life of each asset
Parks and Recreation Infrastructure	Straight line over the useful life of each asset
Buildings	Straight line over useful life of each asset
Building Improvements	Straight line over useful life of each asset
Construction in Progress	Not amortized
Machinery and Equipment	Straight line over useful life of each asset
Vehicles	Straight line over useful life of each asset
Docks	Straight line over useful life of each asset
Infrastructure (e.g. water, wastewater etc.)	Straight line over average useful life of each segment for cost less salvage value

Amortization is calculated the month the asset is put into service. Economic useful life is used for amortization rather than physical 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

All disposals of TCA’s are recorded in the Regional District’s financial statements in accordance with PSAB 3150.

PRESENTATION AND DISCLOSURE:

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

1. Cost at the beginning and end of the period;
2. Additions in the period;
3. Disposals in the period;
4. The amount of any write-downs in the period;
5. The amount of depreciation for the period;
6. Accumulated amortization at the beginning and end of the period;
7. Net carrying amount at the beginning and end of the period.

Also in accordance with PSG-7 disclosure will include:

1. The method used to determine the cost of each major category of TCA;
2. The amortization method used, including amortization period or rate for each major capital category of TCA;
3. The net book value of TCA's not being amortized because they are under construction or development or have been removed from service;
4. The nature and amount of contributed TCA's received in the period;
5. The nature and use of tangible capital assets disclosed at nominal value;
6. The nature of the works of art and historical treasures held by the government ; and
7. The amount of interest included in the cost in the period.