
POLICY NO. 63

**MUNICIPALITY OF THE DISTRICT OF BARRINGTON
TANGIBLE CAPITAL ASSETS POLICY**

1. **ACCOUNTING METHOD**

Capital assets are valued at original cost when available, or at the 2009 assessed value discounted to the date of purchase, using the Consumer Price Index for Canada. Assets are recorded on the “single asset” basis for larger systems such as sewers, building, and arenas.

2. **CLASSES OF CAPITAL ASSETS**

Assets are classified according to the schedule in Appendix “A”.

3. **AMORTIZATION METHOD AND USEFUL LIFE**

The straight-line method of amortization is used for all capital assets except land. Useful life of assets is determined according to the schedule attached as Appendix “B”.

4. **CAPITALIZATION THRESHOLD**

Expenditures of \$5,000.00 or more are capitalized when capital assets are purchased or improved, extending their useful life.

5. **RESIDUAL VALUE**

Residual values of capital assets are deemed to be nil, except for assets acquired by long term lease agreements. Leased assets are deemed to have a useful life equivalent to the term of the lease.

APPENDIX “A” INVENTORY FORMS

CLASSIFICATION OF CAPITAL ASSETS

Land

Real Property in the form of a plot, lot or area. Includes all expenditures made to acquire land and to ready it for use where the improvements are considered permanent in nature and includes purchase, closing costs, grading, filling, draining, and clearing, removal, of old buildings (net of salvage), assumption of liens or mortgages, and any additional land improvements that have an indefinite life. The costs associated with improvements to land are added to the cost of the land if those improvements can be considered permanent (such as re-grading or filling of the land).

Excludes forests, water and other mineral resources and land held for resale (a separate non-financial asset). Land includes land for administrative buildings, parks, playgrounds, fields, open spaces, treatment plants.

Land associated with roads, sewer lines, and sidewalks are assumed to be part of their respected assets (example roads) with no value associated to it.

Land Improvements

Land improvements consist of betterments, site preparation and site improvements (other than buildings) that ready land for its intended use, which generally decay or break down over time. Land improvements that are removable and can degrade or deplete over the course of time through use or due to the elements, should be separately capitalized and their value amortized over the useful life of the improvements.

Examples are: landfill site development, retaining walls, soccer fields, parking lots, grading at works yards whose purpose is to serve as a base for maintaining infrastructure.

Municipal Buildings

Structures that provide shelter from the elements. Includes capital and betterments to buildings owned by the municipality. Includes equipment that is not capable of being moved. Examples are: sport facilities, office buildings, and libraries.

Buildings - Plants

Structures that provide shelter from the elements and are used to provide sewer or water treatment. Includes capital and betterments to buildings owned by the municipality. Includes equipment that is not capable of being moved.

Electronic Data Equipment

Major IT equipment and computer programs.

Small Equipment

Major office equipment items such as photocopiers, desks, furniture.

Machinery & Equipment

An apparatus, tool, device, implement or instrument that likely uses energy (human, electrical, hydroelectric fuel, or thermal) to facilitate a process, function or completion of a task. It may be installed within a building but is generally capable of being moved and reinstalled at a different location. Included in this category are heavy-duty vehicles, construction vehicles, busses, boats (excluding ferries) and compost bins.

Vehicles

All other means of transportation, usually having wheels for transporting persons or things or designed to be towed behind such apparatus.

Ferries

Self-explanatory

Wharves

Self-explanatory

Streets, Roads & Curbs

Cost of materials and labour used to construct roads and curbs.

Traffic and Street Lights

Traffic lights and crosswalk lights.

Sidewalks

Cost of materials and labour used to construct sidewalks.

Sewer Lines

Cost of materials and labour used to construct sewer lines.

Lagoons

Cost of materials and labour used to construct lagoons.

Fibre Optic Lines

Cost of materials and labour used to construct fibre optic lines.

Landfills

Cost of materials and labour, other than those costs associated with land, used to construct landfills.

Work in Progress

Cost of assets under construction or in an uncompleted process of acquisition and are not yet in service.

**APPENDIX “B”
AMORTIZATION METHOD AND USEFUL LIFE**

The Tangible Capital Asset Committee reviewed amortization methods and useful life ranges currently being used across Canada, both Provincially and Municipally. Based on this review, the most predominant amortization method being used is straight-line (See Section 7 re: discussion of amortization methods).

The straight-line method is the simplest for municipal accounting purposes and should be applicable to most Tangible Capital Asset categories. Alternative approaches can be applied to individual assets categories if necessary, but should be evaluated on a case-by-case basis.

With regard to useful lives, the following table by class was developed on the review across Canada. Where a range is listed, each municipal unit will be required to pick a useful life for this municipal unit. It should be mentioned that you should be consulting with your auditors as they will have to sign off on your financial statements and will have to agree with your methodology in determining your useful life for your assets.

Asset Type	Useful Life Ranges
Land	Indefinite
Land Improvements	20 - 25 Years
Municipal Buildings	40 Years
Buildings - Plants	20 - 25 Years
Electronic Data Equipment	3 - 5 Years
Small Equipment	5 Years
Machinery and Equipment	10 - 15 Years
Vehicles	5 Years
Ferries	30 Years
Wharves	25 Years
Streets, Roads & Curbs	25 - 30 Years
Traffic & Street Lights	25 - 30 Years
Sidewalks	20 - 25 Years
Sewer Lines	50 Years
Lagoons	50 Years
Fibre Optic Lines	5 - 10 Years
Landfill*	See PSAB 3270
Work in Progress**	Not Applicable

* Landfills should be amortized as per PS 3270, which recommends the operating life of the site be based on volume.

** Work in Progress is not amortized until the asset is complete at which time it will move into a category listed above.

**APPENDIX “C”
THRESHOLDS**

The Tangible Capital Asset Committee identified the common thresholds currently being used across Canada, both Provincially and Municipally. Generally, thresholds are set by either population or revenue. The most common method used is based on revenues. The suggested thresholds in the chart below are the minimum values municipalities should use when determining whether or not to capitalize a tangible capital asset. As these are suggested as minimum thresholds, each municipality can decide to use a larger threshold if they so choose.

Revenue < \$5,000,000	Revenue > \$5,000,000 and < \$15,000,000	Revenue > \$15,000,000
Minimum Threshold \$2,500	Minimum Threshold \$5,000	Minimum Threshold \$10,000

Clerk’s Annotation for Official Policy Book

Date of Notice to Council Members: April 12, 2010

Date of Passage of Policy: April 26, 2010

I certify that this Policy was adopted by Council as indicated above.

Clerk

Date