



TANGIBLE CAPITAL ASSET

Department	Finance	Policy No.	0340-25
Section	General	Date Approved by Board	June 24, 2010
Repeals	Tangible Capital Asset	Board Resolution #	RD/10/06/03 (24)

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1. Purpose

1.1 The purpose of this Policy is to provide guidance for the accounting treatment of tangible capital assets.

- a) The principal issues in accounting for tangible assets are the recognition of the assets, the determination of their carrying amounts, determination of amortization charges, accurately recording disposals and the recognition of any related impairment losses.

1.2 This Policy 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.

2. Scope

2.1 This Policy applies to all Departments, Boards, Agencies, and other organizations falling within the reporting entity of the Peace River Regional District.

3. Definitions

3.1 *Amortization*: 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.

3.2 *Betterment*: Subsequent expenditures on a tangible capital asset that:

- a) increases previously assessed output or service capacity;
- b) lowers associated operating costs;
- c) extends the useful life of the asset; or



- d) improves the quality of the output.
- 3.3 *Capital Lease*: A non-financial asset that has physical substance and a useful life extending beyond an accounting period and is held under lease by the Regional District for use, on an ongoing basis, in the production or supply of goods and services. Under the terms and conditions of the lease, substantially all of the benefits and risks incident to ownership are, in substance, transferred to the Peace River Regional District without necessarily transferring legal ownership.
- 3.4 *Cost*: The gross amount of consideration given up 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.
- 3.5 *Fair Value*: 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.
- 3.6 *Net Book Value*: The [cost](#) of a [tangible capital asset](#) less accumulated amortization and the amount of any write-downs.
- 3.7 *Residual Value*: The estimated net realizable value of a tangible capital asset at the end of its useful life to the Regional District.
- 3.8 *Tangible Capital Asset*: A non-financial asset having physical substance that:
- is used on a continuing basis in the Regional District's operations;
 - has a useful life that extends beyond one year; and
 - is not held for resale in the ordinary course of operations.
- 3.9 *Useful Life*: The estimated period over which a capital asset is expected to be used by the Regional District. 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.
- 3.10 *Write-down*: A reduction in the [cost](#) of a tangible capital asset to reflect the decline in the asset's value due to a permanent impairment.

4. Policy

1.1 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 comprised 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 costs 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 that become part of the land.

- c) The cost of constructed or developed assets will include all costs directly attributable to the asset constructed or developed including, but not limited to, construction costs, professional fees and architectural costs.
- d) Donated or contributed assets will be recorded at the fair value at the date of contribution. Fair value may be determined using market or appraisal values.

1.2 Capitalization

Tangible Capital Assets should be capitalized according to the following thresholds:

ASSET CATEGORY	THRESHOLD
Land	Capitalize All
Buildings - Foundations	\$25,000
Buildings - Portable	\$25,000
Machinery and Equipment	\$5,000
Vehicles	\$10,000
IT Infrastructure	\$5,000
Infrastructure (Roads, Water, Sewer)	\$25,000
Landfills	\$100,000
Transfer Stations	\$25,000

1.3 Categories

A category of assets is a grouping of assets of a similar nature or function in the Regional District’s operations. The following categories shall be used:

- a) *Land* – All land owned by the Regional District is segmented by each parcel held.
- b) *Buildings* – Buildings are segmented by each building and whether or not they have a foundation, are portable, and their useful life.
- c) *Machinery & Equipment and Vehicles* – Vehicles, machinery and equipment are segmented on a per unit basis.
- d) *IT Infrastructure* – Includes software, hardware, infrastructure, printers, scanners and photocopiers. Segmentation is on a per unit basis.



- e) *Roads* – Road assets are segmented by roads, lanes, sidewalks and structures.
- f) *Water* – Water systems are segmented by each system.
- g) *Sewer* – Sewer systems are segmented by each system.
- h) *Parks* – Parks Infrastructure are segmented by each park and structure.
- i) *Landfills* – Landfills are segmented by each landfill. All development costs which includes roads, hydro, excavation, and digging of pits, and all related costs associated with opening a new pit or landfill. Major purchases will use the useful life of the landfill. Minor purchases such as cameras, computers, general equipment, fencing, will be categorized into the asset type categories that are listed in Section 4.6 – Asset Useful Life. Landfills will also include closure costs and post closure costs.
- j) *Transfer Stations* – Transfer Stations will be the costs of any improvements made to the land. Costs related to minor materials such as fencing, curb stops and other related materials will be categorized into asset type categories that are listed in Section 4.6 – Asset Useful Life. Transfer bins (PL6 Bins), will be capitalized on a “pooled” basis, not subject to the minimum threshold amount.
- k) *Work in Progress* – Tangible Capital Assets under construction at year end. These assets are not amortized until the year they are put into service.

1.4 Amortization

The cost, less any residual value, should be amortized over its useful life in a rational and systematic manner appropriate to its nature and use. The Regional District shall use the following amortization methods:

ASSET CATEGORY	AMORTIZATION METHOD	EXAMPLES
Land	Not <u>Amortized</u>	vacant, occupied for Peace River Regional District purposes, parks
Buildings	Straight Line	all Regional District owned (Fire Hall, Town Hall, Rec Centre)
Machinery & Equipment	Straight Line	boilers, lifts, pumps, signage, & trailers
Vehicles	Straight Line	criteria is must be motorized and ICBC Licensed (i.e. trucks, cars and fire trucks)
IT Infrastructure	Straight Line	hardware, software, cabling, printers, photocopiers
Roads	Straight Line	roads, sidewalks, parking lots



Water System	Straight Line	pump stations, pipes, mains, services, hydrants
Sewer System	Straight Line	mains, piping, treatment plant
Landfills	Straight Line	opening, development & closing costs , including feasibility studies
Transfer Stations	Straight Line	opening & closing costs, including feasibility studies, and transfer bins
Work In Progress	Not Amortized	projects which are ongoing and not in service will not be amortized

A general guideline for determining the estimated useful life of an asset is included in [Section 4.6](#).

1.5 Write Downs and Disposals

When tangible capital assets are disposed of, scraped, dismantled or replaced due to obsolescence, the department head or designate must notify the Chief Financial Officer, or designate, of the asset description and effective date. The Finance department is responsible for adjusting the asset registers and accounting records recording a gain or loss on disposal.

Disposals of tangible capital assets must comply with the Regional District’s 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.

1.6 Asset [Useful Life](#) (General Guidelines)

ASSET TYPE	DEPRECIABLE LIFE (in years)
Parks Infrastructure	
• Playground Equipment	15
Building Structure with foundation	50
Building Structure without foundation	30
Machinery & Equipment	
• General Equipment	10
• Grounds Equipment and Machinery	15
• Heavy Construction Equipment	15



Vehicles	
• Cars, Light Trucks, Vans	10
• Fire Trucks	20
IT Infrastructure	
• Hardware	5
• Software	5
Infrastructure (dependent upon component and material)	
• Water	40
• Sewer	40
• Drainage	40
• Roads	40
• Parks	15
Landfills (from original opening date)	
• Chetwynd - Opening & Closure costs = 1977-2030	53
• Bessborough – Opening & Closure costs = 2003 - 2053	50
• Rose Prairie – Opening & Closure costs = 1968 - 2013	40
• Fort St John – Opening & Closure costs = 1975 - 2020	45
Transfer Stations	50

Affiliated Procedure	
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