



# Summer Village of Yellowstone

## Administrative Policy

Number	Title			
A-FIN-CAP-1	Tangible Capital Assets			
Approval	Approved		Last Revised	
(CAO initials)	Resolution No:	104-19	Resolution No:	
	Date:	July 19-2019	Date:	

### 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.

In addition, the policy covers policy and procedures to:

- a) Protect and control the use of all tangible capital assets.
- b) Provide accountability over tangible capital assets.
- c) Gather and maintain information needed to prepare financial statements.

The policy is in accordance with the Public Sector Accounting Board (PSAB) 3150.

### Scope:

This policy applies to the Summer Village and future boards and commissions, agencies and other organizations that will fall within the reporting entity of the Summer Village of Yellowstone.

### Definitions:

#### Tangible Capital Assets:

Assets having physical substance that:

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



# Summer Village of Yellowstone

## Administrative Policy

### Betterments:

Subsequent expenditures on tangible capital assets that:

- a) increase previously physical output or service capacity;
- b) lower associated operating costs;
- c) extend the useful life of the asset; or
- d) 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.

## **Policy Statements:**

### Capitalization:

Tangible capital assets should be capitalized (recorded in the fixed assets sub-ledger) according to the following thresholds:

- a) all land;
- b) all buildings;
- c) all roads;
- d) engineered structures (will include the following Minor Classes: Water Systems, Wastewater Systems, Storm Systems, Electrical Systems and Marine Structures) with a unit cost of \$5,000 or greater;
- e) all others with a unit cost of \$1,000 or greater.



# Summer Village of Yellowstone

## Administrative Policy

Different thresholds may be used for group assets. Capitalize betterments to existing assets when unit costs exceed the threshold.

### Categories:

A category of assets is a grouping of assets of a similar nature or function in the Summer Village's operations. The following major asset classes shall be used:

- Land;
- Buildings;
- Land Improvements;
- Engineered Structures;
- Machinery and Equipment;
- Vehicles.

### Valuation:

Tangible capital assets should be recorded at cost plus all ancillary charges necessary to place the asset in its location and condition for use.

#### 1.1 Purchased assets

Cost is the gross amount of consideration paid to acquire the asset. It includes all the non-refundable taxes and duties, freight and delivery charges, installation and site preparation costs, etc. It is net of any trader discounts or rebates.

Cost of land includes purchase price plus legal fees, land registration fees, transfer taxes etc. Costs would include any costs to make the land suitable for intended use, such as pollution mitigation, demolition and site improvements that become part of the land.

When two or more assets are acquired for a single purpose price, it is necessary to allocate the purchase price to the various assets acquired. Allocation should be based on the fair value of each asset at the time of acquisition or some other reasonable basis if fair value is not readily determinable.

#### 1.2 Acquired, Constructed or Developed Assets

Cost includes all cost directly attributable (e.g., construction, architectural and other professional fees) to the acquisition, construction or development of the asset. Carrying costs such as internal design, inspection, administrative and other similar costs may be capitalized. Capitalization of general administrative overheads is not allowed.



# Summer Village of Yellowstone

## Administrative Policy

### 1.3 Capitalization of Interest Costs

Borrowing costs incurred by the acquisition, construction and production of an asset that takes a substantial period of time to get ready for its intended use should be capitalized as part of the cost of that asset.

Capitalization of interest costs should commence when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalization should be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use are complete. If only minor modifications are outstanding, this indicates that substantially all of the activities are complete.

### 1.4 Donated or Contributed Assets

The cost of donated or contributed assets that meet the criteria for recognition is equal to the fair value at the date of construction or contribution. Fair value may be determined using market or appraisal values. Cost may be determined using market or appraisal values. Cost may be determined by an estimate of replacement cost. Ancillary costs should be capitalized.

#### Amortization:

The cost, less any residual value, of a tangible capital asset with a limited life should be amortized over its useful life in a rational and systematic manner appropriate to its nature and use. The amortization method and estimate of useful life of the remaining unamortized portion should be reviewed on a regular basis and revised when the appropriateness of a change can be clearly demonstrated.

Useful life is normally shorter of the asset's physical, technological, commercial or legal life.

Generally, the Summer Village uses a straight – line method for calculating the annual amortization. A comprehensive list of estimated useful lives of assets and amortization rates is attached. See Schedule "A".

#### Disposal:

When tangible capital assets are taken out of service, destroyed or replaced due to obsolescence, scrapping or dismantling, the asset registers and accounting records recording a loss/gain on disposal will be adjusted.



# Summer Village of Yellowstone

## Administrative Policy

Schedule "A"  
 Summer Village of Yellowstone  
 Accounting for Tangible Capital Assets  
 Classification/Capitalization Threshold/Amortization

Asset Classes Minor Sub-class One Sub-class Two Sub-class Three	Maximum Useful Life	Capitalization Threshold	Residual Value	Amortization Method
<b>Land</b>				
Right of Way	N/A	All Land will be Recorded	Cost	None
Undeveloped Right of Way				
Parks				
General				
<b>Buildings</b>				
Permanent Structures		All Buildings will be Recorded	None	Straight Line
Frame	50			
Metal	50			
Concrete	50			
Portable Structures				
Metal	25			
Frame	25			
Leasehold Improvements	Variable			
Construction in Progress				
<b>Land Improvements</b>				
Parking Lot		\$1,000	None	Straight Line
Millings	10			
Gravel	15			
Asphalt	25			
Playground Structures	15			
Landscaping	25			
Fences	20			
Sprinkler Systems	25			
Golf courses	45			
Tennis Courts	20			
Fountains	20			
Lakes/Ponds	25			
Retaining Walls	20			
Running Tracks	15			
Outdoor Lighting	20			
Soccer Pitch - Outdoor	20			
Bike/Jogging Paths				
Gravel	15			
Asphalt	20			
Construction in Progress				



# Summer Village of Yellowstone

## Administrative Policy

Schedule "A"  
 Summer Village of Yellowstone  
 Accounting for Tangible Capital Assets  
 Classification/Capitalization Threshold/Amortization

Engineered Structures							
<b>Roadway System</b>							
Bridges	Variable						
Curb & Gutter	30	\$1,000	None	Straight Line			
Parkades	50						
<b>Roads &amp; Streets</b>							
Lanes/Alleys							
ACP - Hot Mix	20	All Roads will be Recorded	None	Straight Line			
Millings	10						
Gravel	15						
Nonconforming	20						
Local/Collector/Arterial/Major Arterial							
Concrete	30						
ACP - Hot Mix	20						
ACP - Cold Mix	10						
Millings	10						
Chip Seal	10						
Oil	10						
Gravel	15						
Subsurface	40						
<b>Road Signs</b>							
Traffic Control	30	\$1,000	None	Straight Line			
Information	30						
<b>Lights</b>							
Decorative	30						
Street	30						
Traffic	30						
Guard Rails	30						
Ramps	30						
Sidewalks & Pararamps	30						
Construction in Progress	-						
<b>Water System</b>							
Distribution System					\$5,000	None	Straight Line
Mains	75						
Services	75						
Construction in Progress	-						
<b>Wastewater System</b>							
Distribution System							
Mains	75						
Services	75						
Construction in Progress	-						
<b>Storm System</b>							
Collection System							
Mains	75						
Services	75						
Construction in Progress	-						
<b>Electrical System</b>							
Electrical Distribution							
Towers and Fixtures	38						
Poles and Fixtures	38						
Construction in Progress	-						
<b>Marine Structures</b>							
Boat Launch	25						
Construction in Progress	-						



# Summer Village of Yellowstone

## Administrative Policy

Schedule "A"  
 Summer Village of Yellowstone  
 Accounting for Tangible Capital Assets  
 Classification/Capitalization Threshold/Amortization

Machinery and Equipment				
Heavy Construction Equipment	Variable			
Stores	25			
Food Services	10			
Fire Equipment	12			
Police Special Equipment	10			
Aircraft	Variable			
Boats	25	\$1,000	10% of Acquisition Cost	Straight Line
Fitness and Wellness	10			
Control Systems	5			
Communication Links	20			
SCADA System	10			
Fuelling Stations	15			
Laboratory	10			
Communications				
Radios	10	\$1,000	None	Straight Line
Telephone Systems	10			
Tools, Shop and Garage Equipment	10			
Scales	10			
Bins	15			
Meters				
Electrical	20			
Cumulative	20	\$1,000	10% of Acquisition Cost	Straight Line
Interval	20			
Gas	20			
Water	40			
Parking Meters and Splitters	20			
Turf Equipment	10			
Ice Re-Surfacers	10			
Office Furniture and Equipment				
Furniture	20			
Office Equipment	10			
Audiovisual	10			
Photocopiers	5	\$1,000	None	Straight Line
Computer Systems				
Hardware	5			
Software	10			
Construction in Progress				
<b>Vehicles</b>				
Light Duty	10			
Medium Duty	10	\$1,000	10% of Acquisition Cost	Straight Line
Heavy Duty	10			
Construction in Progress	-			



# Summer Village of Yellowstone

## Administrative Policy

**Revisions:**

Resolution Number	MM/DD/YY