



**North Red Deer River Water
Services Commission
Tangible Capital Asset Policy**

Policy No. 9 (10)

Adopted: June 4, 2010

Res. # 10-

POLICY STATEMENT

The North Red Deer River Water Services Commission (NRDRWSC) follows generally accepted accounting principles for recording, measuring, and accounting for its tangible capital assets.

1. PURPOSE

The objective of this policy is to provide direction on recognizing, recording, valuing, and reporting on Tangible Capital Assets (TCA's) on a consistent basis and in accordance with the Public Sector Accounting Board (PSAB) Handbook Section 3150.

PSAB Section 3150 requires a change in accounting and reporting of TCA's for the year starting January 1, 2009, and requires comparative figures for the fiscal year of 2008. A number of recommendations and requirements established by Alberta Municipal Affairs and PSAB been reviewed and incorporated into this policy.

2. SCOPE

This policy provides information on basic TCA concepts and how to account for NRDRWSC's TCA's. This policy addresses the following:

- Asset classification (major and minor)
- Capitalization threshold for each asset classification
- Treatment of tangible capital assets
- Amortization method to be used
- Financial statement presentation and disclosures

This policy does not apply to intangible assets, natural resources, and Crown lands that have not been purchased by NRDRWSC. All tangible property owned by NRDRWSC, either through construction, purchase, or donation, and which qualify as capital assets are addressed in this policy.

3. RESPONSIBILITIES

- a. NRDRWSC Board is responsible for approving this policy and any amendments
- b. Chief Administrative Officer (CAO) is responsible for implementing this policy and approving procedures relating to this policy
- c. The Finance Department providing accounting services to NRDRWSC are responsible for:
 - i. the overall enforcement and administration of this policy
 - ii. the development, maintenance, and testing of the asset registry
 - iii. providing support to those employees involved in the purchasing, acquisition, sale, and maintenance of capital assets to ensure the upkeep of accurate records
 - iv. making recommendations to the CAO of necessary policy or procedure amendments
- d. The Utilities Department providing operational services to NRDRWSC are responsible for:
 - i. keeping accurate records when purchasing, acquiring, selling, and maintaining capital assets
 - ii. providing the Finance Department with required capital asset inventory forms and disposal information

5. POLICY DETAILS

a. Asset Classification

All tangible capital assets will be classified into Major, Minor, and where necessary, Subclasses of assets as defined in this section.

- i. **Major Classification** – A group of TCAs that are significantly different in design and use. The categories in the Major asset classifications are as follows:
 - **Land** – Land purchased or acquired for value for parks and recreation, building sites, infrastructure and other program use, but not land held for resale.
 - **Land Improvements** – All improvements to land of a permanent nature such as parking lots, landscaping, lighting, pathways, and fences.
 - **Buildings** – Permanent, temporary or portable building structures, such as offices, garages, warehouses, and recreation facilities intended to shelter persons and/or goods, machinery, equipment, and working space.
 - **Engineered Structures** – Permanent structural works such as roads, bridges, canals, dams, water and sewer, and utility distribution and transmission systems, including plants and substations.
 - **Machinery and Equipment** – Equipment that is heavy equipment for constructing infrastructure, smaller equipment in buildings and offices, furnishings, computer hardware and software. (This class does not include stationary equipment used in the engineered structure class).
 - **Vehicles** – Rolling stock that is used primarily for transportation purposes.
 - **Cultural and Historical Assets** – Works of art and historical treasures that have cultural, aesthetic or historical value that are worth preserving perpetually. These assets are not recognized as TCAs in the financial statements, but the existence of such property is to be disclosed. Buildings declared as heritage sites may be included in this asset classification.
- ii. **Minor Classification** – A classification within a Major asset class that has unique characteristics. A listing of the Minor classifications can be found in Schedule A of this policy. Definitions of the Engineered Structures minor classes are as follows:
 - **Roadway System** – Assets intended for the direct purpose of vehicle or pedestrian travel or to aid in vehicle or pedestrian travel.
 - **Storm Sewer System** – Assets used for the collection, storage, and transfer of water as a result of rain, flood or other external source to a natural water system.
 - **Wastewater** – Wastewater is defined as water that has been used for household, business and other purposes, which flows from private plumbing systems to public sanitary sewers and on to a treatment plant. This system is comprised of assets used for the collection and treatment of non-potable water intended for return to a natural water system or other originating water source or used for other environmentally approved purposes.
 - **Water Systems** – Systems for the provision of water through pipes or other constructed convey. It is normally comprised of assets for the intake, distribution, storage, and treatments of safe potable water. It may also be comprised of assets required to distribute non-potable water.
- iii. **Subclass Classification** – A further classification that may be required due to unique TCA criteria, applications, methodologies, and asset lives. A listing of the Subclass classifications can be found in Schedule A of this policy.

b. Capitalization Thresholds

Capitalization thresholds have been established for each major asset class which will determine whether expenditures should be capitalized or expensed in the current year. Expenditures that meet both the criteria of a TCA and exceed the thresholds outlined in Schedule A of this policy, are to be recorded as a TCA and will be financially reported as such.

There is no capitalization threshold for Land. All land, excluding land held for resale, will be capitalized because of its' permanent nature.

c. Recording Betterments

Subsequent expenditures on existing assets that meet the definition of a betterment will be capitalized accordingly. Expenditures incurred to maintain the originally anticipated service potential of an asset should be considered a repair or maintenance and will be expensed in the period.

i. Division of Assets

For the purposes of this policy, there are two approaches that will be used to define a capital asset; Network approach and Component approach.

- i. *Network Approach* – This approach views an asset as one unit even if the respective asset is comprised of a number of significant components.
- ii. *Component Approach* – This approach identifies major, significant components of an asset. Each component with a unique historical cost, useful life or amortization method is recorded separately.

NRDRWSC will use both approaches. The Finance Department shall review the preferred method that best serves the needs of the NRDRWSC. In certain circumstances, it is appropriate to allocate the total disbursement of an asset to its component parts and account for each component separately. This is the case when the components have different useful lives or provide economic benefits or service potential to the entity in a different pattern, thus necessitating use of different amortization rates. Additional factors that may influence the choice of method include:

- significance of amounts;
- quantity of individual asset components (volume);
- availability of information with respect to specific components;
- specific information needs of management for decision-making and asset control purposes;

NRDRWSC may also segment its TCA's by geographic location to record its linear infrastructure. For example, roads and waterworks may be recorded and valued on a block by block basis.

j. Pooled or Group Assets

The unit value of an asset rather than the value of a group of similar assets will be the value used to determine if the TCA meets the threshold. For example, the total number of computers purchased in a year may be over the capitalization threshold, but the unit value of the computers would likely not meet the threshold and would therefore not be capitalized or amortized. Engineered Structures will be the exception to this statement as they will follow the Network Approach.

k. Work in Progress

Work or construction projects in progress represent the costs incurred to date on a project in which NRDRWSC has not reached substantial completion, has not issued a Construction Completion Certificate (CCC's) or has not placed the asset into service.

The costs incurred for assets under development or construction at the end of an accounting period will be capitalized and reported as assets on the financial statements but will not be amortized in the current accounting period. Once the asset has been completed (CCC's are issued) or the asset has been placed into service, the appropriate transfer will occur from work in progress to completed assets and amortization will commence in that period.

For projects that have distinct, multiple, self-sustaining phases that will be brought into production or use at different points in time, professional judgment will be used to determine the timing of when the asset is transferred from work in progress to the asset register. The Finance Department will consult with appropriate individuals to make such determination. If an incomplete project is terminated or put on hold indefinitely, any costs currently recorded as work in progress will be expenses unless there is an alternative use for the asset.

Work in progress balances will be reviewed, at a minimum, on an annual basis.

l. Cultural and Historical Assets

Works of art and historical treasures will not be recognized as TCA's in the financial statements because a reasonable estimate of future benefits associated with such property cannot be made. However, the existence of such property will be disclosed (see Presentation and Disclosure section)

m. Special Situations

- i. *Donated or Contributed Assets* – Commissions may receive contributions of TCA's. The cost of a contributed TCA (including a TCA in lieu of a developer charge), is considered equal to its fair value at the date of contribution. For subdivision developments, the date of contribution is to be when NRDRWSC issues the Construction Completion Certificates. Prior to this date, the asset is assumed to be in progress by the developer with no useful life consumed. Fair value of a contributed TCA may be estimated using engineering replacement cost estimates, assessment values, or appraisal values.

MACHINERY & EQUIPMENT		5,000	
Communications			Work in Progress is capitalized but not amortized until complete
Radios	10		
Telephone Systems	5		
Computer Systems			
Hardware	5		
Software	10		
Control Systems	5		
Fire Equipment	10		
Food Services	10		
Fuelling Stations	15		
Heavy Construction Equipment	Variable		
Ice-resurfacer	10		
Office Equipment/Furniture			
Audiovisual	10		
Furniture	15		
Office Equipment	10		
Photocopiers	5		
Meters			
Water	30		
Police Special Equipment	10		
Tools, shop, garage equipment	15		
Turf Equipment	10		
Work in progress	n/a		
VEHICLES		5,000	
Light/Medium Duty	10		Work in Progress is capitalized but not amortized until complete
Heavy Duty	10		
Transit Buses	20		
Fire Trucks	25		
Work in progress	n/a		
CULTURAL & HISTORICAL ASSETS		n/a	
Heritage Sites			Disclosed on Audited Financial Statements
Historical			
Public Art			

