

Salt Spring Island Fire Protection District

POLICY MANUAL

Section	Finance
Policy Number	AF-3105-01
Policy Title	Capital Asset Accounting

PURPOSE

To establish the framework to promote sound management of capital assets and that complies with Public Sector Accounting Board guidelines as they apply to BC government organizations.

The budgeting process will follow Public Sector Accounting Board guidelines and only capital items meeting the capital asset criteria in this policy will be budgeted as capital.

The policy is for the benefit of users of the *District's* financial statements; and staff as managers of the *District's Tangible Capital Assets*.

The policy establishes a framework for the management and control of the *District's Tangible Capital Assets* including proper recognition, measurement, thresholds, aggregation, segregation, amortization, reporting, safeguarding and disposal.

DEFINITIONS

“*Aggregation*” means the full cost of preparing a *Tangible Capital Asset* for its intended use. The aggregate cost may be further segmented into elemental components based on useful life;

“*Amortization*” is an annual charge to expenditures for the use of a capital asset – amortizing on a straight-line basis the cost less residual value of an asset over its useful life. Land and Construction in Process are not amortized;

“*Board of Trustees*” means the Board of Trustees of the Salt Spring Island Fire Protection District;

“*Buildings*” means facilities owned by the *District* including third-party leased properties. New buildings may be segmented by envelope, roof, equipment and other significant component parts based on useful life to provide proper treatment for capital replacement of each component over the years of ownership;

“*Building Improvements*” include furniture, fixtures and equipment required to make the building ready for use, furniture, fixtures and equipment are capitalized if purchase in volume and the volume exceeds the threshold limit or if the individual cost of an item(s) exceed threshold limits;

“*Cost*” as defined in Public Sector Account Board guidelines means 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*;

“*District*” means the Salt Spring Island Fire Protection District;

“*Fair Value*” means the amount of consideration that would be agreed upon in an arm’s length transactions between knowledgeable and willing parties who are under no compulsion to act;

“*IT Infrastructure*” includes software, hardware, infrastructure, computers, printers, scanners, photocopiers and the telephone network; and

“*Tangible Capital Assets*” are non-financial assets which embody future economic benefits because of: their capacity to produce or supply, singly or in combination with other assets, goods and services; for administrative purposes; or for the development, construction, maintenance or repair of other tangible capital assets. *Tangible Capital Assets* have a useful economic life extending beyond an accounting period; are used on a continuing basis; and are not for sale in the ordinary course of operation.

STATEMENT OF POLICY

Tangible Capital Assets are recorded at total historical *aggregate costs*.

Assets owned by the *District* but not paid by the *District* including contributions, gifts and donations may be recorded at *fair value*.

Tangible Capital Assets are recognized as assets on the *District's* Statements of Financial Position on date of receipt for capital goods, or when the asset is put into use for capital projects.

Thresholds determine whether expenditures to acquire tangible capital assets are capitalized as assets and depreciated or treated as current year expense. Thresholds dollar limits will be review periodically and adjusted for inflation.

Asset Category	
LAND	Capitalize Only
BUILDINGS	\$5,000
BUILDING IMPROVEMENTS	\$5,000
CONSTRUCTION IN PROCESS	Capitalize Only
MACHINERY AND EQUIPMENT	\$2,500
VEHICLES	\$2,500
IT INFRASTRUCTURE	\$2,500

Thresholds apply to capital goods purchased and capital projects constructed with the total *aggregate cost* of the good or project meeting the threshold criteria.

Long-term assets (including machinery, equipment vehicles and IT infrastructure) not individually meeting threshold limits but, when an individual purchase order exceeds meet the limit, are to be capitalized.

The minimum useful life threshold is two years.

Amortization is calculated annually with one-half the annual amortization recorded in the year the asset is put into service. Economic useful life is used for amortization rather than physical useful life.

The net book value of tangible capital assets on the *District's* Statements of Financial Position should be written down if the value of future economic benefit is less than the *Tangible Capital Asset's* net book value. A write down would not be reversed in subsequent years.

BOARD DISCRETION

The provisions set out in this policy are subject to revision from time to time at the discretion of the *Board of Trustees*.

RELATED DOCUMENTS

Capital Asset Management Policy; *Attachment: Asset Useful Life – General Guidelines*

Auditor General of British Columbia; January 2016; *Summary of Canadian Public Sector Accounting Standards for Government Organizations*

APPROVALS

Approval date:	15 October 2018	Approved by:	Board of Trustees
1. Amendment date:		Approved by:	
2. Amendment date:		Approved by:	
3. Amendment date:		Approved by:	

ATTACHMENT

Asset Useful Life – General Guidelines

Asset Type	Depreciable Life in Years
BUILDING STRUCTURE	20 – 50
BUILDING IMPROVEMENTS	
EXTERIOR ENVELOPE	30 - 40
HVAC SYSTEMS	10 - 12
ROOFS	15 - 20
ELECTRICAL/PLUMBING/FIRE	15 - 20
SITE WORKS (e.g. water and sewer lines)	10 - 50
MACHINERY AND EQUIPMENT	
GENERAL EQUIPMENT	07 - 10
VEHICLES	
CARS AND LIGHT TRUCKS	05 - 10
FIRE FIGHTING APPARATUS	15 - 25
IT INFRASTRUCTURE	
HARDWARE	03 - 05
SOFTWARE	03 - 05
TELEPHONE SYSTEMS	07 - 10