

**BYLAW NO. 3/2009**

**A BYLAW TO ADOPT A POLICY FOR THE  
ACCOUNTING AND REPORTING OF TANGIBLE CAPITAL ASSETS  
FOR THE RURAL MUNICIPALITY OF MARYFIELD NO. 91**

The Council of the Rural Municipality of Maryfield No. 91, in the Province of Saskatchewan, enacts as follows:

1. That the policy for accounting and reporting of Tangible Capital Assets, identified as "Exhibit A", and "Schedule A" being a listing of the Capital Asset Categories, attached hereto and forming a part of this bylaw, be adopted.
2. This Bylaw shall come into force and take effect on the date of third and final reading thereof.



Bruce Lemer  
Reeve

Anna Mackay  
Administrator

Certified a true copy of Bylaw No. 3/2009  
adopted by resolution of council on the  
11th day of June 2009.

Bruce Lemer  
Reeve

Anna Mackay  
Administrator



## EXHIBIT A

### RURAL MUNICIPALITY OF MARYFIELD NO. 91 ACCOUNTING AND REPORTING TANGIBLE CAPITAL ASSETS

#### **POLICY STATEMENT:**

The purpose of the policy is to provide direction for recognizing and recording Tangible Capital Assets (TCA) on a consistent basis and in accordance with Public Sector Accounting Board (PSAB) PS 3150.

The objective of the 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.

#### **DEFINITIONS:**

##### Tangible Capital Asset:

Non-financial assets having physical substance that:

- \* Have useful lives extending beyond an accounting period (1 year);
- \* Are used on a continuing basis in the municipality's operations; and
- \* Are not held for re-sale in the ordinary course of operations.
- \* Are held for the use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;

##### Non-financial Assets:

Non – financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- \* Are normally employed to deliver government services.
- \* May be consumed in the normal course of operations, and
- \* Are not for resale in the main course of operations.

##### Betterments:

Subsequent expenditures on tangible assets that:

- \* Increase previously assessed physical output or service capacity;
- \* Lower associated operating costs;
- \* Extend the useful life of the asset; or
- \* Improve the quality of the output.

Any other expenditure would be considered a repair or maintenance and expensed in the period.

Historical Cost (H):

Is the actual purchase value of asset including installation, engineering, legal, freight, design costs and includes interest costs until asset goes into service.

Consumer Price Index (CPI):

Is the Saskatchewan Consumer Price Index.

Capitalization Threshold:

Is the value used to determine when a purchase is to be capitalized and reported in the financial statements. Below this threshold the purchase is recorded as an expense.

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.

Residual Value:

The amount the municipality expects to be able to realize on disposal of a capital asset at the end of its useful life to the municipality. As a general rule, many of the assets used by the municipality will have a residual value of \$1.00.

Estimated Useful Life:

The estimate of period over which a capital asset is expected to be used or the number of units of production that can be obtained from the asset. It is the period over which an asset will be amortized and is normally the shortest of the physical, technological, commercial or legal life.

Straight –Line Method:

An amortization method which allocated the cost of a capital asset equally over each year of its estimated useful life.

**POLICY:**

Capitalization

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

<b>Asset Description</b>	<b>Threshold</b>
Land	ALL
Land Improvements	\$ 2,500
Building & Engineered Structures	\$ 2,500
Machinery & Equipment	\$ 2,500
Vehicles	\$2,500
Office & IT Equipment	\$ 2,500
Infrastructure – Streets & Roads	ALL
Infrastructure – Bridges	ALL
Infrastructure – Water	ALL
Infrastructure – Wastewater	ALL

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 municipality's operations. The following list of categories shall be used:

- \* Land
- \* Buildings
- \* Equipment
- \* Roads
- \* Water
- \* Bridges
- \* Furniture and Fixtures
- \* Computer systems (hardware and software)

See attached Schedule A for examples of Capital Assets and Examples of Capital Asset Costs.

Valuation:

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

**1.1 Purchased assets**

Cost is the gross amount of consideration paid to acquire the asset. It includes all non-refundable taxes and duties, freight and delivery charges, installation and site preparation costs, etc. It is net of any trade 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 purchase 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 costs directly attributable (e.g., construction, engineering, architectural and other 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.

Capitalization of carrying costs ceases when no construction or development is taking place or when the tangible capital asset is ready for use.

**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 to 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. Fair value 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 municipality will use the **straight-line** amortization method, which is a constant rate over the useful life of the asset. This is a process of allocation, not valuation.

Land costs are never amortized except at landfill sites.

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

A comprehensive list of estimated useful lives of assets and amortization rates is attached. Council is responsible for establishing and utilizing an appropriate amortization methodology and rate for assets acquired. Council is responsible for establishing and utilizing an appropriate estimated useful life for assets acquired.

Disposal

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

Capitalization Threshold:

Capital Asset Thresholds are based on historical cost values.

If historical cost is unknown it is to be calculated by using insured values as follows:

HCPI = Historical Saskatchewan Consumer Price Index

C\$ = Current Cost Dollars (Insured Value)

CCPI = Current Saskatchewan Consumer Price Index:

Estimated Historical Cost = HCPI/CCPI x C\$

Estimated Useful Life:

<b>Capital Asset Class &amp; Category</b>	<b>Threshold</b>	<b>Estimated Useful Life</b>
<b>Land &amp; Improvements</b>		
Land	ALL	Indefinite
Land Improvements	\$2,500	15 years
<b>Buildings &amp; Building Improvements</b>		
Buildings	\$2,500	40 years
Building Improvements	\$2,500	40 years
Engineered Structures	\$2,500	40 years
<b>Machinery &amp; Equipment</b>		
Heavy Equipment – Graders, Tractors	\$2,500	20 years
Operating Equipment	\$2,500	10 years
<b>Transportation Equipment</b>		
Vehicles	\$2,500	10 years
<b>Office and Information Technology</b>		
Computer Hardware	\$2,500	5 years
Computer Software	\$2,500	5 years
Office Furniture and equipment	\$2,500	10 years
<b>Infrastructure</b>		
Roads/Streets – Construction	ALL	40 years
Roads/Streets – repaving	ALL	15 years
Bridges – Construction	ALL	40 years
Bridges – Upgrades	ALL	15 years
Culverts	ALL	35 years
Airports – Runways	ALL	15 years
Airports – Navigational Aids	ALL	15 years
Highways – Other	ALL	15 years
Water Infrastructure	ALL	40 years
Infrastructure – Other	ALL	15 years

# Capital Asset Categories

# SCHEDULE A

The following table lists the capital asset categories and examples of assets and costs included in each category.

Capital Asset Category	Examples of Capital Assets	Examples of Capital Asset Costs
Land	<ul style="list-style-type: none"> <li>* land acquired for parks and recreation recreation, conservation purposes building sites and other programs</li> <li>* land purchased for construction of road surface, drainage areas and allowances or future expansions.</li> </ul>	<ul style="list-style-type: none"> <li>* Purchase price</li> <li>* Professional fees for title searches, architect. legal engineering appraisals, environmental surveys.</li> <li>* Improvement and development costs such as land excavation, filling, grading, drainage, demolition of existing buildings (less salvage)</li> </ul>
Land improvements	<ul style="list-style-type: none"> <li>* Fencing and gates, parking lots, paths and trails, landscaping, swimming pools and playgrounds</li> </ul>	<ul style="list-style-type: none"> <li>* Original purchase price or completed project costs including costs of material and labour or contractor cost</li> </ul>
Buildings – high quality construction	<ul style="list-style-type: none"> <li>* buildings with fireproofed structural steel frames with reinforced concrete or masonry floors and roofs</li> </ul>	<ul style="list-style-type: none"> <li>* Original purchase price or completed project costs including basic costs of material and labour or contractor cost</li> </ul>
Buildings – medium quality construction	<ul style="list-style-type: none"> <li>* buildings with reinforced concrete frames and concrete or masonry floors and roofs.</li> </ul>	<ul style="list-style-type: none"> <li>* Costs to remodel, recondition or alter a purchased building to make it ready to use for the acquired purpose</li> </ul>
Buildings – average quality construction	<ul style="list-style-type: none"> <li>* buildings with masonry or concrete exterior walls, and work or steel roof and floor structures, except for concrete slabs on grade</li> </ul>	<ul style="list-style-type: none"> <li>* Preparation of plans blueprints, and specifications</li> <li>* Costs of building permits, studies, tests (pre-acquisition costs)</li> </ul>
Buildings – short term	<ul style="list-style-type: none"> <li>* Operational storage facilities, sheds small buildings, salt sheds, asphalt tanks, inventory storage buildings and pump houses</li> </ul>	<ul style="list-style-type: none"> <li>* Professional fees for title searches, architect, legal, engineering, appraisals, environmental surveys</li> <li>* Operating costs such as temporary buildings used during construction</li> </ul>
Building improvements	<ul style="list-style-type: none"> <li>* Major repairs that increase the value or useful life of the building such as structural changes, installation or upgrade of heating and cooling systems plumbing, electrical, telephone systems</li> </ul>	<ul style="list-style-type: none"> <li>* Complete project costs including basic costs of material and labour or costs of a contractor</li> <li>* Preparation of plans, blueprints, and specifications</li> <li>* Cost of building permits/studies/tests</li> </ul>



		<ul style="list-style-type: none"> <li>* Professional fees for architect, legal engineering, appraisals, environmental surveys.</li> </ul>
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Operating Equipment	<ul style="list-style-type: none"> <li>* Equipment specific to maintenance, shop and sanitation, laboratories, medical, dental, safety, appliances, scientific research, hospitals, education and communication such as forklifts, welding machines, utility trailers, security systems, snow plows, radios freezers, refrigerators, washers, meters, defibrillators</li> </ul>	<ul style="list-style-type: none"> <li>* Original contract price or invoice price</li> <li>* freight charges</li> <li>* sales taxes on acquisition</li> <li>* installation charges</li> <li>* charges for testing and preparation</li> <li>* cost of reconditioning used items when purchased</li> <li>* parts and labour associated with the construction of equipment</li> </ul>
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Heavy Equipment	<ul style="list-style-type: none"> <li>* Power and construction equipment such as graders, tractors, cranes, drill rigs, caterpillars, and trucks one tonne and over</li> </ul>	<ul style="list-style-type: none"> <li>* Original contract price or invoice price</li> <li>* freight charges</li> <li>* sales taxes on acquisition</li> <li>* installation charges</li> <li>* charges for testing and preparation</li> <li>* costs of reconditioning used items when purchased</li> <li>* parts and labour associated with the construction of equipment</li> </ul>
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Vehicles	<ul style="list-style-type: none"> <li>* Used primarily for transportation purposes such as automobiles, trucks under one tonne, vans, boats, all terrain vehicles, snowmobiles, motorcycles, and ambulances</li> </ul>	<ul style="list-style-type: none"> <li>* Original contract price or invoice price</li> <li>* freight charges</li> <li>* sales tax on acquisition</li> <li>* costs of reconditioning used items when purchased</li> </ul>
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Computer Software	<ul style="list-style-type: none"> <li>* Off the shelf software and related upgrades, software licenses after removing any maintenance or similar charges</li> </ul>	<ul style="list-style-type: none"> <li>* Purchase price of off the shelf software and related upgrades</li> <li>* Sales taxes on acquisition</li> <li>* Installation charges</li> </ul>
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Computer Hardware	<ul style="list-style-type: none"> <li>* Servers, voice logging equipment scanners, printers, hard drives, modems, tape drives and plotters</li> </ul>	<ul style="list-style-type: none"> <li>* Purchase price</li> <li>* Installation charges</li> <li>* Freight and transit charges</li> <li>* Sales taxes on acquisition</li> </ul>
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Office furniture and Equipment	<ul style="list-style-type: none"> <li>* desks, tables, chairs, filing cabinets fax machines, photocopiers, videoconferencing stations, projectors and digital cameras</li> </ul>	<ul style="list-style-type: none"> <li>* Original contract price or invoice price</li> <li>* Freight and installation charges</li> <li>* Sales taxes on acquisition</li> <li>* Costs of reconditioning used items when purchased</li> <li>* Parts and labour associated with the construction of furniture</li> </ul>
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Roads/Streets - Construction	<ul style="list-style-type: none"> <li>* Municipal roads</li> </ul>	<ul style="list-style-type: none"> <li>* Direct costs of construction including tender construction costs, labour, materials, survey costs, and project specific design costs</li> <li>* Construction and material costs related to overhead structures and signage</li> <li>* Salary and travel cost for employees assigned to the project for direct management duties such as project management, inspection and quality control</li> </ul>
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Roads/Streets - Repaving	<ul style="list-style-type: none"> <li>* Major resurfacing and preservation overlays on municipal roads</li> </ul>	<ul style="list-style-type: none"> <li>* Direct costs of construction including labour and materials</li> <li>* Salary and travel cost for employees assigned to the project for direct management duties such as project management, inspection and quality control.</li> </ul>
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Bridges – Construction	<ul style="list-style-type: none"> <li>* Bridges</li> </ul>	<ul style="list-style-type: none"> <li>* Direct costs of construction including tender construction costs, labour, materials survey costs, and project specific design costs</li> <li>* Salary and travel cost for employees assigned to the project for direct management duties such as project management, inspection and quality control.</li> </ul>
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Bridges – Upgrades	* Upgrades to bridges	<ul style="list-style-type: none"> <li>* Direct costs of construction including labour and materials</li> <li>* Salary and travel cost for employees assigned to the project for direct management duties such as project management, inspection and quality control</li> </ul>
Culverts	* Culverts	<ul style="list-style-type: none"> <li>* Direct costs of construction including tender construction costs, labour materials, survey costs, and project specific design costs</li> <li>* Salary and travel cost for employees assigned to the project for direct management, inspection and quality control</li> </ul>
Airports – runways	<ul style="list-style-type: none"> <li>* Airport runways, strips and aprons</li> <li>* Repaving of airport runways</li> <li>* Upgrading gravel runways to asphalt runways</li> <li>* Upgrading gravel runways to treated gravel runways</li> </ul>	<ul style="list-style-type: none"> <li>* Direct costs of construction including labour and materials</li> <li>* Salary and travel cost for employees assigned to the project for direct management duties such as project management, inspection and quality control</li> </ul>
Airports – navigational	<ul style="list-style-type: none"> <li>* Runway lighting and non-directional beacons</li> <li>* Replacing the entire existing lighting or wiring system</li> </ul>	<ul style="list-style-type: none"> <li>* Original purchase price</li> <li>* Installation charges</li> <li>* Charges for testing and preparation</li> <li>* Parts and labour associated with construction and installation</li> </ul>
Roads/Streets – other	<ul style="list-style-type: none"> <li>* Light systems (traffic, outdoor, street) signals for railways, new signage initiative, rumble strips and aggregate pit acquisition costs</li> </ul>	<ul style="list-style-type: none"> <li>* Original purchase price</li> <li>* Installation charges</li> <li>* Charges for testing and preparation</li> <li>* Parts and labour associated with construction and installation</li> </ul>

Water Infrastructure

\* Dams, drainage facilities, docks, sewer systems, sewage lagoons, marinas, reservoirs, pumping facilities, tanks and associated infrastructure

\* Original purchase price  
\* Direct costs of construction including labour and materials  
\* Salary and travel cost for employees assigned to the project for direct management duties such as project management, inspection and quality control

Other Infrastructure

\* Landfills, tanker bases, helipad, dump stations

\* Costs that support infrastructure but are not included in any other category