

TOWN OF MOSSBANK

**BYLAW NO. 07-2011**

**TANGIBLE CAPITAL ASSETS BYLAW**

(AMENDMENT TO BYLAW NO. 01/08)

A Bylaw of the Town of Mossbank, in the province of Saskatchewan, to prescribe the accounting treatment for tangible capital assets.

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**THE COUNCIL FOR THE TOWN OF MOSSBANK, IN THE PROVINCE OF SASKATCHEWAN, ENACTS AS FOLLOWS:**

**Short Title:**

1. This Bylaw may be cited as the Tangible Assets bylaw.

**PART 1**  
**PURPOSE AND DEFINITIONS**

**Purpose and Scope:**

2. The purpose of this bylaw is to prescribe the accounting treatment of 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 said 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 bylaw 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.

This Bylaw applies to all departments, boards, employees and other organizations falling within the reporting entity of the Town of Mossbank.

**Definitions:**

3. (A) **Tangible Capital Assets:**

Assets having physical substance that:

- (a) Are used on a continuing basis in the Town's operations.
- (b) Have useful lives extending beyond one year.
- (c) Are not held for re-sale in the ordinary course of operations.

(B) **Betterments:**

Subsequent expenditures on tangible capital 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.

(C) **Group assets:**

Assets that have a unit value below the capitalization threshold but have a material value as a group. Normally recorded 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.

**(D) 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.

**(E) Amortization:**

An accounting concept in which the recorded cost of a tangible capital asset less estimated residual value (if any) (amortization base) is distributed over its estimated useful life in a systematic and rational manner. It is a process of allocation not valuation.

**(F) Residual Value:**

The amount that the Town expects to be able to realize upon disposal of a tangible capital asset at the end of its useful life to the Town. As a general rule, it is assumed that the residual value of all assets is nil.

**(G) Straight-line Method:**

A method of amortization in which the cost less the estimated residual value (amortization base) of a capital asset is allocated equally over each year of its estimated useful life.

**(H) Cost:**

The gross amount of consideration paid to acquire, develop or better a tangible capital asset, and includes all costs directly attributable to the asset's acquisition, construction, development or betterment, including installing the asset at the location and in the condition necessary for its intended use.

**(I) Recognition Threshold:**

The value above which assets are capitalized and reported in the financial statements.

**(J) Capital Lease:**


A capital lease is a lease with contractual terms that transfer substantially all the benefits and risks inherent in ownership of property to the Town. For substantially all of the benefits and risks of ownership to be transferred to the lessee, one or more of the following conditions must be met:

- (a) There is reasonable assurance that the Town will obtain ownership of the leased property by the end of the lease term.
- (b) The lease term is of such a duration that the Town will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span.
- (c) The lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement.

## **PART II POLICY STATEMENTS**

### **Capitalization**

Tangible capital assets will be capitalized and recorded in the fixed asset sub-ledger according to the Thresholds and Categories as forming a part of this bylaw. Tangible Capital Assets will be placed into the appropriate categories and amortized yearly in a straight-line (single asset) manner over the estimated useful lives. While the straight-line method of amortization will be the preference of the Town, certain instances may demand the use of the component approach. Management will periodically review the useful life estimates and make changes as required.



**Disclosure:**

The method and rates of amortization of tangible capital assets will be disclosed in the financial statements of the Town of Mossbank.

**Responsibility:**

The Administrator will ensure the tangible capital assets are set up in Munisoft's General Ledger and a manual ledger with the proper useful lives and amortization start dates. Amortization begins in the year after acquisition as it will be after year end that the full cost of putting the asset into service will be known.

The Administrator will ensure the yearly amortization process is completed.

The Administrator will periodically balance the tangible capital assets as recorded in the capital asset sub-ledger to the General Ledger of the Town.

The Administrator will ensure that disclosure in the Town's financial statement is appropriate.

The Administrator will periodically review the useful life estimates and bring any recommended changes to the attention of the Town Council, to be approved and changed, if necessary.

**PART III**

**COMING INTO FORCE**

This Bylaw will come into effect on the day of its final passing.



*Carl H. Wein*

Mayor

*[Signature]*

Administrator

Bylaw No. 07-2011, read and adopted by resolution on the 12<sup>th</sup> day of September, 2011.

*[Signature]*

Administrator

*[Signature]*

## Schedule "A" to Bylaw No. 07-2011

## CAPITAL ASSET THRESHOLDS

Capital Asset Class & Category	Threshold	Estimated Useful Life
<b>Land &amp; Land Improvements</b>		
Land	All	Indefinite
Land Improvements	\$ 5,000.	15 years
<b>Buildings &amp; Building Improvements</b>		
Buildings	\$10,000.	21 - 80 years
Buildings - short term	\$10,000.	20 years
Building Improvements	\$ 5,000.	Subject to work completed
Leasehold & Occupancy Improvements	\$ 5,000.	Lesser of useful life or lease term/occupancy arrangement
<b>Machinery &amp; Equipment</b>		
Heavy Equipment	\$ 5,000.	
- Graders		30 years
- Tractors		30 years
- Trucks (1 Ton and over)		30 years
Operating Equipment(mowers, etc.)	\$ 2,000.	20 years
<b>Transportation Equipment</b>		
Vehicles	\$ 5,000.	20 years
<b>Office Information &amp; Technology</b>		
System Development	\$ 1,000.	20 years
Computer Hardware	\$ 1,000.	5 years
Computer Software	\$ 1,000.	5 years
Office Furniture & Equipment	\$ 1,000.	10 years
<b>Infrastructure</b>		
Culverts	ALL	35 years
Roads/Streets - construction	ALL	40 years
Road/Streets - paving	ALL	20 years
Road/Streets - other	ALL	20 years
Infrastructure - Water	ALL	40 years
Infrastructure - Wastewater	ALL	40 years
Infrastructure - Other	ALL	40 years

## CAPITAL ASSET CATEGORIES

Capital Asset Category	Examples of Assets	Examples of Asset Costs
<b>Land</b>	<ul style="list-style-type: none"> <li>➤ Land acquired for parks and recreation, conservation purposes, building sites &amp; other programs</li> <li>➤ Land purchased for construction of road surface, drainage areas and allowances or further expansions</li> </ul>	<ul style="list-style-type: none"> <li>➤ Purchase price</li> <li>➤ Professional fees for title searches, engineering, appraisals, environmental surveys</li> </ul>
<b>Land Improvements</b>	<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 costs of a contractor</li> <li>➤ Improvement and development costs such as excavation, filling, grading, drainage, demolition or existing buildings (less salvage)</li> </ul>
<b>Buildings</b>	<ul style="list-style-type: none"> <li>➤ Fireproofed structural steel frames with reinforced concrete or masonry floors and roofs</li> <li>➤ Reinforced concrete frames and concrete or masonry floors and roofs</li> <li>➤ Masonry or concrete exterior walls, wood or steel roof &amp; floor structure, except for concrete slabs on grade</li> </ul>	<ul style="list-style-type: none"> <li>➤ Original purchase price or completed project costs including basic costs of material and labour or costs of a contractor</li> <li>➤ Preparation of plans, blueprints, and specifications</li> <li>➤ Costs of building permits, studies, tests (pre-acquisition costs)</li> <li>➤ Professional fees for title searches, architect, legal, engineering, appraisals, environmental studies</li> <li>➤ Operating costs such as temporary buildings used during construction</li> <li>➤ Costs to remodel, recondition a purchased building to make it ready to use for the acquired purpose</li> </ul>
<b>Buildings - Short Term</b>	<ul style="list-style-type: none"> <li>➤ Operational storage facilities, sheds, small buildings, asphalt tanks, inventory storage buildings &amp; pump houses</li> </ul>	<ul style="list-style-type: none"> <li>➤ Same as above</li> </ul>
<b>Building Improvements</b>	<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 &amp; cooling systems, plumbing, electrical, telephone systems</li> </ul>	<ul style="list-style-type: none"> <li>➤ Complete project costs including basic costs of material &amp; labour or costs of a contractor</li> <li>➤ Preparation of plans, blueprints &amp; specifications</li> <li>➤ Cost of building permits, studies, test</li> <li>➤ Professional fees for architect, legal, engineering, appraisals</li> <li>➤ Operating costs such as temporary buildings used during construction</li> </ul>
<b>Leasehold and Occupancy Improvements</b>	<ul style="list-style-type: none"> <li>➤ Improvements that increase the functionality of leased or similar accommodations (refer to the assets listed under the "building improvements" category)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Costs similar to those listed under the "building improvements" category</li> </ul>

<b>Operating Equipment</b>	<ul style="list-style-type: none"> <li>➤ Equipment specific to maintenance, shop and sanitation, safety such as forklifts, welding machines, utility trailers, snow plows, radios</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>➤ Installation charges</li> <li>➤ Charge 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>
<b>Heavy equipment</b>	<ul style="list-style-type: none"> <li>➤ Power and construction equipment such as graders, tractors, caterpillars, loaders 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 tax on acquisition</li> <li>➤ Installation charges</li> <li>➤ Charge 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>
<b>Vehicles</b>	<ul style="list-style-type: none"> <li>➤ Used primarily for transportation purposes such as automobiles, trucks under one tonne and all terrain vehicles</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>
<b>Computer software</b>	<ul style="list-style-type: none"> <li>➤ Off the shelf software and related upgrades, software licenses after removing any maintenance or similar charge</li> </ul>	<ul style="list-style-type: none"> <li>➤ Purchase price of off the shelf software and related upgrades</li> <li>➤ Sales tax on acquisition</li> <li>➤ Installation charges</li> </ul>
<b>Computer hardware</b>	<ul style="list-style-type: none"> <li>➤ Servers, voice logging equipment, scanners, printers, hard drives, modems, tape drivers and plotters</li> </ul>	<ul style="list-style-type: none"> <li>➤ Purchase price</li> <li>➤ Installation charges</li> <li>➤ Freight &amp; transit charges</li> <li>➤ Sales tax on acquisition</li> </ul>
<b>System development</b>	<ul style="list-style-type: none"> <li>➤ Consultant fees, web-site development and custom developed software</li> </ul>	<ul style="list-style-type: none"> <li>➤ External direct costs of materials and services such as consultant fees</li> <li>➤ Web site development costs</li> <li>➤ Costs to acquire software and any custom development</li> <li>➤ Salary and related benefits of employees directly associated with the application development stage</li> <li>➤ Costs of upgrades that improve the functionality of the system</li> </ul>
<b>Office furniture and equipment</b>	<ul style="list-style-type: none"> <li>➤ Desks, tables, chairs, filing cabinets, fax machines, photocopiers, video-conferencing stations, projectors and digital cameras</li> </ul>	<ul style="list-style-type: none"> <li>➤ Original contract price or invoice price</li> <li>➤ Freight &amp; installation charges</li> <li>➤ Sales tax on acquisition</li> <li>➤ Costs of reconditioning used items when purchased</li> <li>➤ Parts and labour associated with the construction of furniture</li> </ul>
<b>Roads/Streets-Construction</b>	<ul style="list-style-type: none"> <li>➤ Municipal streets or 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 costs for employees assigned to the project for direct management duties such as project management, inspection and quality control</li> </ul>



<b>Roads/Streets - Paving</b>	<ul style="list-style-type: none"> <li>➤ Major resurfacing and preservation overlays on municipal roads/streets</li> </ul>	<ul style="list-style-type: none"> <li>➤ Direct costs of construction including labour and materials</li> <li>➤ Salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control</li> </ul>
<b>Roads/Street - Other</b>	<ul style="list-style-type: none"> <li>➤ Light systems (traffic, outdoor, street), signals for railways, new signage initiative, rumble strips and aggregate pit acquisitions</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>
<b>Culverts</b>	<ul style="list-style-type: none"> <li>➤ Culverts</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 &amp; travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control</li> </ul>
<b>Water Infrastructure</b>	<ul style="list-style-type: none"> <li>➤ Drainage facilities, docks, sewer systems, sewage lagoons, reservoirs, pumping facilities, tanks and associated infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>➤ Original purchase price</li> <li>➤ Direct costs of construction including labour and materials</li> <li>➤ Salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control</li> </ul>
<b>Other Infrastructure</b>	<ul style="list-style-type: none"> <li>➤ Landfills tanker bases, dump stations, airports</li> </ul>	<ul style="list-style-type: none"> <li>➤ Costs that support infrastructure but are not included in any other category</li> </ul>

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