

Tangible Capital Assets and Amortization Policy

<i>Topic</i>	Finance
<i>Authority</i>	Board
<i>Related Documents</i>	

The Regional Municipality of Wood Buffalo Library Board recognizes the need to prescribe the accounting treatment for tangible capital assets so that the investments in land, buildings, collections, furniture and equipment are reflected on Wood Buffalo Regional Library’s (WBRL) financial statements in accordance with the Public Sector Accounting Board (PSAB) Handbook Section PS 3150.

Definitions

Tangible capital assets are non-financial assets having physical substance that are used on a continuing basis in the WBRL’s operations, have useful lives extending beyond one year and are not held for re-sale in the ordinary course of operations.

Amortization is the accounting process of allocating the cost less the residual value of a tangible capital asset to operating periods as an expense over its useful life.

Available for Use means an asset is ready for productive use, i.e. the day the asset is occupied or goes into operation.

Betterments are subsequent expenditures on tangible capital assets that increase service capacity, lower associated operating costs, extend the useful life of the asset, and improve the quality of the asset. These costs are included in the tangible capital asset’s cost. (Any other expenditure would be considered a repair or maintenance and expensed in the period in which the expense was incurred.)

Capitalization Threshold is the minimum amount that expenditures must exceed before they are capitalized and are reported on the balance sheet of the financial statements. Items not meeting the threshold would be recorded as an expense in the period in which the item was purchased.

Group Assets (Pooling) have an individual value below the capitalization threshold but have a material value as a group. 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 may include computers, furniture and fixtures, small moveable equipment, library collection materials, etc.

Useful Life is the shortest of the asset’s physical, technological, commercial or legal life.

Capitalization and Asset Categories

Tangible capital assets are capitalized according to the following thresholds per year:

Asset type	Rate
Land	Not amortized
Building under repair	Not amortized
Music and audiobook CDs, DVDs/Blu-Rays, and video games	3 years

Computer hardware	4 years
Vehicles	5 years
Computer software	5 years
Leasehold improvements	5 years
Radio frequency identification	5 years
Books	7 years
Furniture and equipment	10 years

In general, tangible capital assets with a value of greater than \$5,000.00 and providing an ongoing future benefit are capitalized.

WBRL must have legal title to the assets for the asset to qualify as a capital asset.

Tangible Capital Asset Valuation

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

Purchased Assets

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

Acquired, Constructed or Developed Assets

- The cost includes all costs directly attributable (e.g. construction, architectural and other professional fees) to the acquisition, construction or development of the asset. Capitalization of general administrative overheads is not allowed.

Donated or Contributed Assets

- The cost of donated or contributed assets is equal to the fair value at the date of construction or contribution. Fair value may be determined using market or appraisal values. The cost may be determined by an estimate of replacement cost.

Amortization

The cost, less any residual value, of a tangible capital asset with a limited life is amortized over its useful life in a rational and systematic manner appropriate to its nature and use.

Amortization is accounted for as an expense in the statement of operations. A record is still required for assets still in use, but already fully amortized. Amortization does not commence until the asset is available for use.

The straight line method of amortization is used. In the year an asset is available for use, amortization will be expensed at one half the applicable annual rate.

Reporting

Financials statements disclose, for each major category of tangible capital assets and in total:

- Cost at the beginning of the period

- Additions in the period
- Disposals in the period
- The amount of any write-downs in the period
- The amount of amortization of the costs of tangible capital assets for the period
- Accumulated amortization at the beginning and end of the period and
- Net carrying amount at the beginning and end of the period.

Works of art or archival records have cultural, aesthetic or historical value that is worth preserving perpetually. These assets are not recognized as tangible capital assets in the financial statements, but the existence of such property is disclosed. Works of art or archival records are recorded, with no cost, date of acquisition, or amortization.

Write-Downs

When conditions indicate that a tangible capital asset no longer contributes to the WBRL's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value.

The net write-downs of tangible capital assets are accounted for as expenses in the statement of operations.

A write-down should not be reversed.

The Director is authorized to write off fully depreciated capital assets, no longer required, in addition to books, CDs, DVDs and audio books that are removed from the collection through weeding and withdrawn materials.

Review

WBRL reviews tangible capital assets annually to identify and remove the cost and accumulated depreciation for assets that are no longer in use.

History

Created: March, 1996.

Revised: September, 1999. November 19, 2015. April 21, 2021. May 18, 2022.