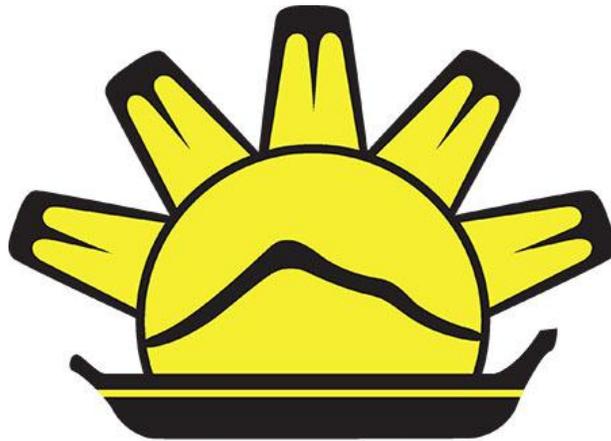


Statement of Policy and Procedure	
BCR #	2017-075
File Reference #	FAL-028
Issue/Effective Date	February 2, 2017

Malahat Nation

Tangible Capital Assets Policy

Approved by Council on February 2, 2017



Malahat

1. Policy

Tangible capital assets will be managed using a life-cycle approach that effectively plans, manages, accounts for and disposes of assets according to Malahat Nation's asset strategy and that ensures assets are accurately reflected in Malahat Nation's financial statements.

2. Purpose

The purpose of this policy is to provide guidance on the planning, management, and accounting treatments for tangible capital assets over the entire asset life cycle.

3. Scope

This policy applies to the Council, Finance and Audit Committees, Chief Executive Officer, Director of Finance, and senior management of Malahat Nation, as well as any employees directly involved in capital asset management.

4. Definitions

"asset recognition criteria" means the criteria to be used to set the threshold for determining whether a tangible capital asset must be included in the tangible capital asset register and in the life-cycle management program.

"capital project" means the construction, rehabilitation or replacement of Malahat Nation's tangible capital assets and any other major capital projects in which Malahat Nation or its related bodies are investors.

"capital project plan" means a plan to carry out a capital project and an annual capital plan means all of the capital project plans to be budgeted for and undertaken in a fiscal year.

"cost" is 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, including installing the asset at the location and in the condition necessary for its intended use. The cost of a contributed tangible capital asset, including a tangible capital asset in lieu of a developer charge, is considered to be equal to its fair value at the date of contribution. Capital grants would not be netted against the cost of the related tangible capital asset.

"PSAS" refers to Public Sector Accounting Standards of the Canadian Public Sector Accounting Board, as amended or replaced from time to time.

“rehabilitation” includes alteration, extension and renovation but does not include routine maintenance.

“replacement” includes substitution, in whole or in part, with another of Malahat Nation’s tangible capital assets.

“life-cycle management program” means the program of inspection, review and planning for the management of Malahat Nation’s tangible capital assets as described in the Financial Administration Law and this policy.

“life cycle planning” is a key component of a life-cycle management program as it provides information for understanding the condition and assessing the performance of capital assets, anticipates the needs for replacements in the short and long term, and assesses the cost and sustainability of existing programs.

“net book value” of a tangible capital asset is its cost, less both accumulated amortization and the amount of any write-downs.

“Residual value” is the estimated net realizable value of a tangible capital asset at the end of its useful life to Malahat Nation.

“tangible capital assets” are non-financial assets having physical substance that:

- (a) are held for 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;
- (b) have useful economic lives extending beyond an accounting period;
- (c) are to be used on a continuing basis; and
- (d) are not for sale in the ordinary course of operations.

“useful life” is the estimate of either the period over which a tangible capital asset is expected to be used by Malahat Nation, or the number of production or similar units that can be obtained from the tangible capital asset by Malahat Nation. The life of a tangible capital asset may extend beyond the useful life of a tangible capital asset to Malahat Nation. The life of a tangible capital asset, other than land, is finite, and is normally the shortest of the physical, technological, commercial and legal life.

5. Responsibilities

(1) Council is responsible for:

- (a) Approving capital project plans and tangible capital asset reserve fund transactions;
- (b) Establishing a tangible capital asset reserve fund;

- (c) Establishing asset recognition criteria;
- (d) Approving the tangible capital assets register;
- (e) Approving policies and procedures for capital projects to address the issues identified in the Financial Administration Law for the proper management of capital projects;
- (f) Approving procedures for the safeguarding of tangible capital assets;
- (g) Ensuring capital project budgeting requirements are implemented.

(2) The Finance and Audit Committee is responsible for:

- (a) Reviewing the financial information provided on the life-cycle management program by the Director of Finance;
- (b) Reviewing and recommending to Council the annual budget for tangible capital assets;
- (c) Reviewing any scheduled capital project plans including supplemental information and their budgets and developing recommendations for Council.

(3) The Chief Executive Officer or delegate is responsible for:

- (a) Developing the life-cycle management program in accordance with the requirements of this policy and the Financial Administration Law and making recommendations to the Finance and Audit Committee and Council on matters concerning the management of Malahat Nation's tangible capital assets;
- (b) Maintaining the tangible capital assets register as required in this policy and the Financial Administration Law, including arranging for an annual inspection to obtain updated information of each capital asset (e.g. physical condition, remaining useful life, etc.);
- (c) Ensuring Malahat Nation members are informed and involved in tangible capital asset projects and borrowings for construction as required in the Financial Administration Law;

(4) The Director of Finance is responsible for:

- (a) The accurate and timely recording and reporting of tangible capital assets in the financial statements in accordance with PSAS;
- (b) Monitoring the application of this policy and updating the policy on a regular basis;
- (c) Preparing the financial information related to routine maintenance and rehabilitation or replacement of tangible capital assets as required in the Financial Administration Law and this policy;
- (d) Preparing the maintenance and quarterly reporting to the Finance and Audit Committee, or more frequently if necessary on the status of the capital asset reserve fund;
- (e) Developing and recommending procedures for the safeguarding of assets and ensuring approved procedures are followed;

- (f) Developing the budget for capital project plans and annual capital plan.
- (5) Employees involved in the life-cycle management program are responsible for:
- (a) Recording and reporting periodic changes in tangible capital assets to the Chief Executive Officer and Director of Finance;

6. Procedures

Tangible Capital Asset Register

- (1) A detailed tangible capital asset register is to be established, maintained and kept current by the Chief Executive Officer (or assigned employee). The asset register will facilitate the life-cycle management program with maintenance, rehabilitation, and replacement activities as well as providing an accurate inventory of tangible capital assets.
- (a) The register will include the information required in the Financial Administration Law and, at a minimum, the following information:
 - i. Location and intended purpose of the asset;
 - ii. Ownership and restrictions over ownership (e.g. pledges or collateral agreements);
 - iii. Date of acquisition;
 - iv. Previous inspection date;
 - v. Original expected life of the asset at the time of acquisition;
 - vi. Most recent assessment of the condition of the asset and its expected remaining useful life¹;
 - vii. Estimated residual value of the asset (i.e. the estimated net realizable value of the tangible capital asset at the end of its useful life to Malahat Nation);
 - viii. Insurance coverage details for the asset;
 - ix. Any other information required by the Council.

Annual Inspection and Review

- (1) The Chief Executive Officer or delegate will initiate an annual inspection of Malahat Nation's capital asset inventory. Employees in the property management department will be assigned by the Chief Executive Officer to complete the inspection under his/her supervision. Where appropriate or necessary the Chief Executive Officer may choose to engage the services of an external specialist to assist in the valuation of certain specialised assets (e.g. land, buildings, etc.).

¹ The expected remaining useful life of each asset must be re-assessed at a minimum annually. Any changes to this estimate must be accounted for prospectively as a change in estimate.

- (2) Any changes necessary to the tangible capital asset register will be documented by the employee noting the changes, and communicated to the Chief Executive Officer for review and approval. Once reviewed and approved by the Chief Executive Officer, the changes will be input in the tangible capital asset register by the employee responsible for the register.

Safeguarding Assets

- (1) Insurance coverage for tangible capital assets will be obtained and remain in force unless an asset is to be self-insured based on a risk management assessment that balances any potential loss with the cost of insurance, replacement value of items, etc. Insurance will be obtained in accordance with the Insurance Policy.

Maintenance of Assets

- (1) Employees in the property management department (or its equivalent) will provide the Chief Executive Officer with an annual update on the condition of tangible capital assets over \$5,000 and maintenance reports (including machine and vehicle logs).

Life Cycle Management Program

- (1) Based on the information in the tangible capital asset updates the Director of Finance or delegate will prepare the annual capital plan each year.
- (2) The annual capital plan will include short and long term forecasts for asset rehabilitation and/or replacement. The plan will include the information that the Director of Finance is required to prepare as per the Financial Administration Law.
- (3) The Finance and Audit Committee will review the annual capital plan, in conjunction with the tangible capital assets register.
- (4) The Finance and Audit Committee will review by the annual capital plan and report to Council on its findings and recommendations.

Capital Projects

- (1) The Chief Executive Officer or delegate, with input from the Director of Finance, will develop an annual capital plan for all capital projects that exceed \$25,000 in cumulative value. The plan will include a business case for the capital project, that will contain, at a minimum, the following:
 - (a) The financial viability of the project (i.e. how it will be financed, what the expected return on investment will be, etc.);
 - (b) Project operating requirements (e.g. annual operating and maintenance costs, cash flow considerations, etc.);
 - (c) A project risk assessment.

- (2) The Chief Executive Officer or delegate will coordinate project planning, design, engineering, tendering, bid selection, and environmental requirements for each capital project in accordance with Council policies and procedures for management of capital projects. Capital project consultants, including engineers, may be engaged to carry out these obligations at the discretion of the Chief Executive Officer.
- (3) The Director of Finance will review project costing, budgeting, financing and approval for each capital project in accordance with Council policies and procedures for management of capital projects.
- (4) To coordinate project management of each capital project, an ad hoc working committee - project planning and implementation - may be established as necessary with the Chief Executive Officer and Director of Finance as members.
- (5) The annual capital plan and recommendations from the working committee will be provided to the Finance and Audit Committee.
- (6) The Finance and Audit committee will review the annual capital plan and forward their recommendation to Council for approval.

Construction Management

- (1) The Chief Executive Officer or delegate will recommend appropriate course of construction insurance for each capital project in accordance with the Insurance Policy and will require general contractors to have project performance guarantees or bonding for each project or as otherwise permitted or required in the Council policies and procedures for management of capital projects.
- (2) Depending upon the size of the project, an independent general contractor may be retained to provide contract management and control.
- (3) The Director of Finance or delegate will process contractor progress payments, manage construction holdbacks and payment as required in the Council policy and procedure on management of capital projects and will organize audit procedures in conjunction with the annual audit.

Life Cycle Policy Directives

- (1) All assets that meet the definition of a tangible capital asset, meet the Council approved asset recognition criteria, fall within the categories outlined in Appendix A based on their nature, characteristics and useful life, shall be recorded in the accounts of Malahat Nation in accordance with this policy.

Acquisition of Tangible Capital Assets

- (1) Department managers will identify to the Chief Executive Officer the asset to be acquired as part of the annual budget and annual capital plan. It is recognized however that unforeseen asset acquisitions will occasionally be necessary.
- (2) The acquisitions of tangible capital assets are subject to the Delegated and Assigned Responsibilities Policy and the Procurement Policy.
- (3) Subject to the Delegated Authorities Policy, all purchases or leases of capital assets are to be made in accordance with the annual budget, annual capital plan.
- (4) Any significant variance between budgeted and actual cost of the tangible capital asset is to be reported to the Chief Executive Officer and the Finance and Audit Committee.
- (5) Following acquisition and delivery of a tangible capital asset, the Finance Department will ensure the asset is reflected in the accounting records and the financial statements of Malahat Nation. An asset tracking number will be assigned and the asset added to the Tangible Capital Asset Register of Malahat Nation.

Tangible Capital Asset Reserve Fund

- (1) The Council will establish a Tangible Capital Asset Reserve Fund to be applied for the purposes of construction, acquisition, maintenance, rehabilitation and replacement of Malahat Nation's tangible capital assets.

7. References and Related Authorities

- (1) FMB's Financial Management System Standards
 - (a) Standard 24.0 Tangible Capital Assets Including Capital Projects
- (2) FMB's Financial Administration Law Standards
 - (a) Standard 22.0 Tangible Capital Assets Including Capital Projects

8. Attachments

Appendix A – Tangible capital asset categories

Appendix A – Tangible capital asset categories

The following table lists capital asset categories and examples of assets and costs included in each category. This is not intended to be a complete list and is for illustrative purposes only. The decision by Malahat Nation to capitalise costs as tangible fixed assets must be made in reference to PSAS accounting requirements, specifically those contained in PS 3150, *Tangible capital assets*.

Capital Asset Category	Examples of Capital Assets
Land	<ul style="list-style-type: none"> • land acquired for parks and recreation and recreation, conservation purposes, building sites and other programs • land purchased for construction of road surface, drainage areas and allowances or future expansions
Land improvement	<ul style="list-style-type: none"> • fencing and gates, parking lots, paths and trails, landscaping, swimming pools and playgrounds • Site preparation in advance of commercial or residential development
Buildings	<ul style="list-style-type: none"> • buildings with fireproofed structural steel frames with reinforced concrete or masonry floors and roofs • buildings with reinforced concrete frames and concrete or masonry floors and roofs • buildings with masonry or concrete exterior walls, and wood or steel roof and floor structures, except for concrete slabs on grade • operational storage facilities, sheds, small buildings, salt sheds, asphalt tanks, inventory storage buildings and pump houses
Building improvements	<ul style="list-style-type: none"> • major repairs or upgrades that increase the value or useful life of the building or which reduce future operating costs such as structural changes, installation or upgrade of heating and cooling systems, plumbing, electrical, telephone systems
Leasehold and occupancy improvements	<ul style="list-style-type: none"> • improvements that increase the functionality of leased or similar accommodations (refer to the assets listed under the "building improvements" category)
Operating equipment	<ul style="list-style-type: none"> • 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, snowploughs, radios, freezers, refrigerators, washers, meters, defibrators

Capital Asset Category	Examples of Capital Assets
Heavy equipment	<ul style="list-style-type: none"> power and construction equipment such as graders, tractors, cranes, drill rigs, caterpillars, and trucks one tonne and over
Vehicles	<ul style="list-style-type: none"> used primarily for transportation purposes such as automobiles, trucks under one tonne, vans, boats, all-terrain vehicles, snowmobiles, motorcycles, and ambulances
Marine vessels - vessels and towers	<ul style="list-style-type: none"> construction and replacement of vessels and towers
Computer software	<ul style="list-style-type: none"> off the shelf software and related upgrades, software licenses after removing any maintenance or similar charges
Computer hardware	<ul style="list-style-type: none"> servers, voice logging equipment, scanners, printers, hard drives, external hard drives, and plotters
Office furniture and equipment	<ul style="list-style-type: none"> desks, tables, chairs, filing cabinets, fax machines, photocopiers, videoconferencing stations, projectors, and digital cameras
Assets under construction	<ul style="list-style-type: none"> roads, buildings or other tangible capital assets that are under construction and have not yet been placed into service
Roads/Streets	<ul style="list-style-type: none"> roads or streets light systems (traffic, pedestrian), signals for railways, new signage initiative, traffic calming (e.g. rumble strips, speed bumps)
Water and sewer infrastructure	<ul style="list-style-type: none"> dams, drainage facilities, docks, sewer systems, sewage lagoons, marinas, reservoirs, pumping facilities, tanks and associated infrastructure
Other infrastructure	<ul style="list-style-type: none"> landfills, tanker bases, helipad, dump stations