

Mackenzie Regional Waste Management Commission Fixed Asset Capitalization Policy 53-08

Title: FIXED ASSET CAPITALIZATION POLICY
Authority: Commission Board
Resolution: 29-08
Date Approved: May 23, 2008
Rescinds:

The Mackenzie Regional Waste Management Commission will regard fixed assets as capitalized when all of the following criteria are met:

- (1) The asset is tangible and complete.
- (2) The asset is usually repaired, not replaced when damaged.
- (3) The asset has a useful life of longer than the current fiscal year
- (4) The cost of the asset (including installation) is \$1000.00 or more.
- (5) The cost of repairing or renovating the asset is \$1000.00 or more and prolongs the life of the asset.

Other Considerations:

- (1) REPAIR is an expenditure that keeps the property in ordinary efficient operating condition. The cost of the repair does not add to the value or prolong the life of the asset.
- (2) IMPROVEMENTS are expenditures for additions, alterations and renovations that appreciably prolong the life of the asset, materially increase its value or adapt it to a different use. Improvements of the nature are capitalized.

Examples of Repairs vs. Improvements

Repairs = Expenditures	Improvements = Capitalized Assets
All items – life less than one year	Life of more than one year
All items under \$1000.00	All items \$1000.00 or more
Property Maintenance, wall repair	Property rebuilding
Replacement of machine parts to keep machine in normal operating condition	Replacement of motor and parts that prolong the useful life
Property restoration (rebuilding) for normal operations	Property restoration for something different or better
Existing building repairs	Building regulation conformity
Replacement of small sections of wiring, pipes or light fixtures	Major replacement of wiring, lighting, pipes or sewer

Patching walls, minor repairs of floors, painting, etc.

Installation of floor, wall, roof, wall covering, etc.

Cleaning drapery, carpet, furniture

New drapery, carpets, furniture

Land

- Land acquired by purchase is recorded at cost to include the amount paid for the land itself and all incidental costs.
- Land is not depreciable.

Land Improvements

- Asset type consisting of improvements/developments to land other than construction
- Land Improvements will be depreciated over their estimated useful lives.

Buildings

- Buildings will be recorded at either their acquisition cost or construction cost. If a building is acquired by purchase, the capitalized cost should include the purchase price and other incidental expenses at the time of acquisition.
- If a building is constructed, the capitalized cost should include all construction costs. The constructed building will be capitalized upon completion of the project. For the first year, all the component units of the building, such as AC, plumbing system, etc will be included in the capitalized cost of the building.

Building Additions

- Building additions will be recorded at their construction cost.
- Building additions will be capitalized separately and depreciated over their useful life.

Building Improvements

A. Component Units

When building component units are replaced, the new component unit will be capitalized separately, and the old component (subsequent to original construction) will be removed from the property report. However, if the original component was included in the original construction, it will not be removed since it was not a separately valued component. The new component unit will be depreciated over the remaining useful life of the building.

B. Major Renovations or Alterations

Any major renovations or alterations within an existing building will be added to the cost of the original building. These renovations/alterations will be depreciated over the remaining life of the building/structure.

Machinery & Equipment

- Will be capitalized at net invoice price plus freight and installation charges.

Office Furniture & Equipment

- Includes furniture and equipment not affixed to the building

Recording and Accounting

The cost of property, plant and equipment includes all expenditures necessary to put the asset into position and ready for use. For purposes of recording fixed assets, the valuation of assets shall be based on historical cost or where the historical cost is indeterminable, by estimation for those assets in existence.

Amortization Schedule

Asset	Basis	Rate
Engineered Structures	1-17 years	4%
Building	30 years	20%
Machinery	5-10 years	20%
Furniture and Equipment	5-10 years	30%

	DATE	RESOLUTION NO
Adopted	May 23, 2008	29-08
Amended		
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