General Operating Administrative

Title: **Capital Asset Management and Procurement**	**Policy Number:** **GA-04**
Authority: Resolution 2026-208 - July 21, 2026 Council Minutes	**Next Review: November 2030**

CAPITAL ASSET MANAGEMENT

Purpose:
This policy establishes the accounting treatment for tangible capital assets so that users of the annual financial report can discern information about the investment in property, plant and equipment and the changes in such investment.

Scope:
This policy applies to all tangible capital assets under the Town of Carrot River. Tangible capital assets should be capitalized (recorded in the fixed asset sub-ledger) according to the following thresholds:

a) all land;
b) all buildings;
c) civil infrastructure systems (built assets such as roads, sewers, water with unit cost of $25 000.00 or greater;
d) all others with unit cost of $10 000.00 or greater.

Categories:
A category of assets is a grouping of assets of a similar nature or function in the Town's operations. The following list of categories shall be used:

a) land;
b) buildings;
c) equipment;
d) roads;
e) water;
f) sewer;
g) communication networks;
h) motor vehicles;
i) furniture and fixtures;
j) computer systems (hardware and software)

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.

Revaluation should be completed every 3 to 5 years to establish accurate replacement values.

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, architectural and other professional 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 of 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 the 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 or contribution. 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.

Componentization:

Tangible capital assets may be accounted for using either the single asset or component approach. Whether the component approach is to be used will be determined by the usefulness of the information versus the cost of collecting and maintaining information at the component level.

Factors to consider when determining whether to use a component approach include:

a) Major components have significantly different useful lives and consumption patterns than the related tangible capital asset.
b) Value of components in relation to the related tangible capital asset.

Civil infrastructure systems should use the component approach. Major components should be grouped when the assets have similar characteristics and estimated useful lives or consumption rates.

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 amortization method and estimate of 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.

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

Generally, the Town uses a straight-line method for calculating the annual amortization. A comprehensive list of estimated useful lives of assets and amortization rates is attached. Town departments, boards and commissions, agencies and other organizations are responsible for establishing and utilizing an appropriate amortization methodology and rate for assets acquired, and for establishing and utilizing an appropriate estimated useful life for assets acquired.

Disposal:

Disposal of tangible assets that are moveable personal property is the responsibility of the Town Council unless delegated to the Administrator.

Disposal of real property will be the responsibility of Town Council.

When other constructed tangible capital assets are taken out of service, destroyed or replaced due to obsolescence, scrapping or dismantling, the department head or designate must notify the Administrator of the asset description and effective date. The Administrator is responsible for adjusting the asset registers and accounting records recording a loss/gain on disposal.

Capital Asset Thresholds and Estimated Useful Lives:

The table below outlines the threshold and estimated useful life application to each capital asset category. A threshold of ALL means that all capital asset purchases, regardless of cost, are recorded.

Capital Asset Class & Category	Threshold	Estimated Useful Life
Land	All	Indefinite
Land Improvements	$ 75 000	50 Years
Buildings	$150 000	60 Years
Buildings Improvements	$ 50 000	Variable
Leasehold and Occupancy Improvements	$ 50 000	Variable
Heavy Equipment	$ 75 000	25 Years
Operating Equipment	$ 75 000	25 Years
Vehicles	$ 30 000	10 Years
Computer Hardware	$ 10 000	5 Years
Computer Software	$ 10 000	5 Years
Office Furniture and Equipment	$ 10 000	20 Years
Highways-Construction	$150 000	40 Years
Highways-Repaving	$150 000	40 Years
Highways-Other	$ 75 000	25 Years
Water Infrastructure	$100 000	40 Years
Infrastructure-Other	$100 000	40 Years
Wastewater Infrastructure	$100 000	40 Years

PROCUREMENT POLICY

The Town of Carrot River will abide by the obligations of procurement outlined in the ***New West Partnership Trade Agreement***. Procurement obligations will be triggered on goods or services valued over $75,000 and, in the case of construction projects, goods or services valued over $200,000. When those obligations are triggered the Town of Carrot River must, at a minimum, advertise tender notices on the website *sasktenders.gov.sk*.

Other means of tendering may be used in addition should Council deem it necessary. As a rule of thumb, procurement as per budget can be ordered by the Administrator or employee(s) that have been delegated by the Administrator. Every effort should be made by the Administrator that local reputable contractors are invited to perform paid work for the Town and that no one qualified local reputable contractor receives a significant portion of paid work without entering a public invitation or tendering process.