Objective

To establish an accounting and reporting framework that ensures that the Legislative Assembly's tangible capital assets are accounted for appropriately in a manner consistent with Public Sector Accounting Standards.

Application

This policy applies to Members of the Legislative Assembly, caucus staff, legislative support staff, and Legislative Assembly employees appointed under section 39 of the *Constitution Act* (R.S.B.C. 1996, c. 66).

Authority

Legislative Assembly organizational policies are approved by the Legislative Assembly Management Committee, as per *Policy 1000 – Legislative Assembly Policy Framework.*

Key Definitions

"**betterment**" means a cost incurred to enhance the service delivery potential (i.e., useful life or capacity) of a tangible capital asset and that may:

a) increase the previously assessed physical output or service capacity;
b) significantly lower associated operating costs (i.e., efficiency);
c) extend the life of the asset; or
d) improve the quality of the output;

"**capital lease**" means an acquisition of a tangible capital asset through a lease where in effect the Legislative Assembly has taken on substantially all the rights and obligations (i.e., all the benefits and risks of ownership) for the asset;

"**substitution method**" means the method used for recording betterment which assumes disposal of the old unit being replaced or bettered, and the acquisition of the new portion (the cost of the replaced portion is removed from the asset's historical cost and the accumulated depreciation is removed, and the replacement portion is treated as an acquisition);

"**tangible capital asset**" means an asset having physical substance that:

a) is 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) has useful economic lives extending beyond a fiscal year;
c) is to be used on a continuing basis;
d) is not for sale in the ordinary course of operations; and

e) is not Crown Land owned by the Province of British Columbia, such as the Legislative Precinct

"**work-in-progress**" or "**WIP**" means the costs incurred to date on a project which is not yet in use or is not substantially complete.

1. General

.01 The acquisition of a new asset by or for one or more constituency office falls outside the scope of this policy.

.02 Assets with significant historical or cultural value (e.g. commemorative art works, limited edition books, protocol gifts received) are not considered to be tangible capital assets.

.03 Assets with no physical substance (e.g. patents, trademarks, copyrights) are not considered to be tangible capital assets.

2. Acquisition of New Assets

.01 Tangible capital assets are recorded at cost. The cost of a purchased tangible capital asset includes the purchase price of the asset plus acquisition costs (e.g., shipping costs, customs fees).

.02 The cost of a constructed asset includes direct construction or development costs (such as materials and labour) and overhead costs directly attributed to the construction or development of that asset.

.03 The acquisition date is the earliest of:

a) the date the asset is received; or
b) the date legal ownership of the asset passes to the Legislative Assembly.

.04 For administrative effectiveness, the Legislative Assembly establishes cost thresholds for capitalization. The thresholds apply to individual items purchased. Items not meeting the capitalization thresholds (see Appendix 1) are expensed.

.05 Identical, similar, or related assets that may not meet a standard capitalization threshold on a per unit basis, such as security equipment, are pooled and recorded and accounted for as a single asset. All subsequent increases to the asset pool are capitalized (i.e., there is no threshold).

3. Betterments vs. Maintenance

.01 Betterments are considered to be part of the cost of a tangible capital asset and are added to the recorded cost of the related asset.

.02 Maintenance and expenditures for repairs that do not prolong an asset's useful life (i.e., only maintain service delivery potential) or that do not improve its efficiency are not betterments.

.03 Maintenance and expenditures for repairs are charged as expenses in the accounting period in which they are incurred. Maintenance work includes:

a) repairs to restore an asset to its original condition; and
b) replacement of part of an asset with a similar component.

.04 Betterments may be recorded using the substitution method. The substitution method can only be applied when the cost of the old unit and related accumulated depreciation are known or can be reasonably estimated.

4. Amortization

.01 Financial Services will assess all leases (excluding constituency office leases) to determine if they meet the conditions necessary for treatment as a capital lease. In such cases, the capital leases will be treated as an acquisition of a tangible capital asset with amortization of the cost over the lease term.

.02 WIP is not amortized; however, when a project is put into service or is substantially complete, it is transferred to a tangible capital asset class and subsequently amortized. If a project is terminated, incurred WIP costs are expensed.

.03 The acquisition cost, less the residual value of tangible capital assets, must be amortized over the asset's estimated useful life, on a straight-line basis (see Appendix 1 for details on tangible capital asset useful lives and thresholds).

.04 Where an asset is constructed, amortization begins on the first day of the month following the month when the asset is available for use.

.05 When an asset is purchased, amortization begins on the first day of the month following the month in which the acquisition occurs.

.06 The amortization period for a tangible capital asset is limited to 40 years unless it can be clearly demonstrated that the useful life of the asset is expected to exceed 40 years. Land has an unlimited life and is not amortized.

5. Disposals

.01 On disposal of a tangible capital asset, the historical cost and accumulated amortization must be removed. The difference between the net proceeds and net book value is recorded as a gain or a loss.

.02 Caucuses, legislative offices, and Legislative Assembly Administration departments must provide Financial Services with details about asset disposals at the time of their disposal, including the

a) date of disposal;
b) asset name;
c) selling costs;
d) description and identification number (if applicable); and
e) disposal (asset sale) proceeds (if applicable).

.03 Disposals must be authorized by an expense authority that has the authority level commensurate with the historical cost or market value of the asset, whichever is greater.

.04 Fully amortized pooled assets shall be deemed to be disposed. The deemed disposition shall take place the year following the final year in which amortization is posted for the asset pool, regardless of whether or not the individual assets within the pool are still in use.

6. Asset Value Impairments

.01 Caucuses, legislative offices, and Legislative Assembly Administration departments, in consultation with Financial Services, must determine if an impairment in a tangible capital asset exists. Some factors which may indicate asset impairment include: a change in the use of an asset, physical damage, theft, or technological obsolescence.

.02 A tangible capital asset is impaired if conditions indicate that it has a reduced ability or no longer contributes to the Legislative Assembly's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital asset is less than its net book value.

.03 As a result of impairment, an asset may require:

a) a write-down to reflect a partial impairment in the service delivery potential of an asset; or
b) a write-off to reflect a complete (100%) impairment in the service delivery potential of an asset.

.04 Tangible capital assets are written-off if they are destroyed, stolen, lost, or obsolete.

.05 Tangible capital asset write-offs and write-downs require written approval as follows:

a) tangible capital assets with a historical cost of $5,000 or less require approval by the Director, Financial Services;
b) tangible capital assets with a historical cost of $5,001 or more require approval by the Executive Financial Officer.

.06 Tangible capital asset write-downs and write-offs are accounted for as expenses in the statement of operations.

Contact Please contact Financial Services at financialservices@leg.bc.ca with any questions regarding this policy.

Approved and authorized by the Legislative Assembly Management Committee on April 28, 2023.

POLICY HISTORY	
Version 1	October 30, 2015
Version 2	April 28, 2023

APPENDIX 1 - AMORTIZATION CLASSIFICATION

Category	Threshold	Useful Life (years)	Definition
Land	None	None	Land other than Crown Land is capitalized when it is purchased or acquired for other consideration and the related asset category is capitalized.
Land Improvements	≥ $50,000/unit	30	The Legislative Assembly may develop vacant land in the future and capitalize the cost in the land improvement category. This category includes roads and related infrastructure, including hardscape, paving, fencing, lighting, etc. providing access to the Legislative Precinct.
Buildings	≥ $50,000/unit	40	Includes the Parliament Buildings, office buildings, and other structures, whether purchased or constructed.
Specialized Equipment – Heavy	≥ $10,000/unit	10	Includes fire protection, telecommunications equipment, and other heavy equipment.
Specialized Equipment – Operating	≥ $1,000/unit	5	Equipment not otherwise classified, including broadcasting, equipment, maintenance equipment, fire suppression equipment, and other specialized operating equipment.
Security Equipment	None	10	Firearms, conductive energy weapons, and ballistic vests.
Computer Hardware, Software and Servers	≥ $10,000/unit	5	Computer hardware and software, including mainframe and servers – both purchased packages and internally developed or customized packages.
Office Furniture & Equipment	≥ $1,000/unit	5	Desks, chairs, tables, bookcases, partitions and other furniture and equipment not affixed to the structure of a building.
Photocopiers	≥ $1,000/unit	As per lease term	For photocopiers meeting the conditions for treatment as a capital, the asset should be amortized on a straight-line basis over the lesser of the lease term and the useful life of the associated asset class.
Personal Computer (PC) Hardware & Software	≥ $1,000/unit	3	Personal computers and related peripherals (computer monitors, keyboards, printers, etc.), software, laptops, and combination equipment (printer/fax/photocopier unit).
Vehicles	None	7	Including all subcompact, compact, mid-size and full- size sedans and wagons; all compact two-wheel drive (electric) vehicles, etc. For leased vehicles meeting the conditions for treatment as a capital lease, the asset should be amortized on a straight-line basis over the lesser of the lease term and the useful life of the associated asset class.