

Finance Department Policies			
SECTION: Tangible Capital Assets			POLICY FIN-05
POLICY: Valuation Techniques			
DATE: Jan 2008	REV. DATE: November 2008	FREQUENCY: As Required	PAGE #: 1 of 2

PURPOSE:

The objective of this policy is to describe the valuation techniques that are to be used to record the historical (pre January 1, 2008) tangible capital asset inventory of the County of Renfrew.

ASSIGNING ASSET VALUES:

Historical Cost

This should be the goal for all assets acquired within the terms specified in the records retention bylaw (for accounts payable – it is seven years). For items purchased/constructed within this period, there should be an electronic or paper version of the invoice and/or job cost report. Any applicable overhead costs that were directly attributed to this acquisition, would also be added to the invoice/job cost amount to arrive at the true historical cost of the asset.

This method should only be used when the source invoice and/or job costing is readily obtainable. In cases where the cost/effort of obtaining the necessary documents would outweigh the benefits of doing so, an alternative method will be considered.

Deflated Reproduction Cost

This technique is the second method of choice for valuation. It is to be used when the asset in question can be purchased (e.g. backhoe) or reproduced (e.g. road) today in the same physical form. Today's price or cost is then deflated (discounted) back to the year of the asset's acquisition to generate an estimate of the historical cost. The deflation calculation will be performed using the Consumer Price Index or other indices specific to the asset.

In some cases, it may be possible to reproduce an asset in the same physical form, but recent technological advances have made the asset (in its current physical form) obsolete. In this case, the deflated replacement cost should be considered.

Deflated Replacement Cost

This technique is the third method of choice for valuation. It is to be used when the asset in question is no longer available for purchase or reproduction in the same physical form. In this case, the cost of replacing or reproducing the asset in a different physical form (to perform the same task) today is used as the cost base for which to deflate back to the date of acquisition.

Finance Department Policies			
SECTION: Tangible Capital Assets			POLICY FIN-05
POLICY: Valuation Techniques			
DATE: Jan 2008	REV. DATE: November 2008	FREQUENCY: As Required	PAGE #: 2 of 2

As an example, this method would be used to value a piece of machinery that is technologically obsolete (and is no longer available for purchase), but is still functioning well for the County of Renfrew. To assign a *historical* cost, the *current* cost for a new piece of machinery that performs the same task (with the new technology) would be used as the cost base for which to deflate back to the year of purchase and subsequently amortize.

The deflation calculation will be performed using the Consumer Price Index.

Appraisal

This technique is the fourth method of choice for valuation. It uses a professional assessment of what it would cost to replace the asset today. Today's price or value is deflated back to the year of the asset's acquisition to produce the approximate historical cost.

The deflation calculation will be performed using the Consumer Price Index or other indices specific to the asset.

This method is most useful for land and buildings.

ASSET COMPONENTS

For assets that have been or should be recognized individually, a reasonable split can be allocated to each component of the asset. In the example of a road construction project, a percentage must be allocated to the surface portion (asphalt/gravel, etc) and a percentage must be allocated to the roadbed portion (all subsurface components). It is important that this allocation be used consistently for all similar road projects, unless there is evidence to prove that the split should be calculated differently in isolated cases.