

Policy 30/2008

Policy Title: **Tangible Capital Assets**

Date Adopted: **October 28, 2008**

Amendments: **May 11, 2010**

Purpose: The purpose of this policy is to provide direction for recognizing and recording Tangible Capital Assets (TCA) on a consistent basis and in accordance with Public Sector Accounting Board (PSAB) 3150.

The objective of this policy is to prescribe the accounting treatment for TCAs users of the Town of Bentley Annual Financial Statements can discern information about the investment in properties, plants and equipment and the changes in such investment.

The principal issues in accounting for TCA are the recognition of the assets, the determination of their carrying amounts, amortization charges, and the recognition of any related impairment losses.

This policy provides accountability for TCA gathering and maintaining information needed to prepare financial statements.

Scope: This policy applies to all Town departments falling within the reporting entity of the Town. The policy addresses the following;

- a) Asset Classification (major & minor)
- b) Capitalization threshold for each asset classification
- c) Amortization method to be used
- d) Review Schedule
- e) Disposal

Definitions: **Tangible Capital Assets** mean assets having physical substance that;

- a) Are used continually in the Town's operations
- b) Have useful lives extending beyond one year
- c) Are not held for re-sale in the ordinary course of operations

Betterments mean subsequent expenditures on TSA that;

- a) Increase output or service capacity.
- b) Increase the service live
- c) Lower associated operating costs
- d) Improve the quality of the output

Any other expenditure will be considered a repair or maintenance and expensed in the period

Expected Useful Life means the expected life of a TCA which is normally the shortest of the asset's physical, technological, commercial and legal life.

Asset Register is a complete and accurate list of TSA owned by the Town

Group Assets means assets that have a unit value below the capitalization threshold but have a material value as a group. These should be recorded as a single asset with one combined value.

Fair Value is the amount of consideration that would be agreed upon in an arm's length transaction.

**Policy
Statement:**

Capitalization

Tangible capital assets should be capitalized, recorded in the fixed asset sub-ledger, according to the thresholds as shown under the Amortization Schedule.

Valuation

Tangible capital assets should be recorded at cost plus all ancillary charges necessary to place the asset in its intended location and condition of use.

1.1 **Purchased Assets**

Cost is the gross amount paid including all non-refundable taxes, duties, freight & delivery charges, installation, site preparation costs, etc. It is net of any trade discounts or rebates.

Cost of land includes the purchase price plus legal fees, land registration fees, etc. Costs would also include any costs to make the land suitable for the intended use, such as demolition and site improvements that become part of the land.

1.2 **Acquired, Constructed or Developed Assets**

Cost includes all costs directly attributable, such as construction, architectural, surveys, and other professional fees, to the acquisition, constructions or development of the asset. Carrying costs such as internal design, inspection, and other similar costs may be capitalized.

1.3 Capitalization of Interest Costs

Borrowing costs incurred by the acquisition, construction and/or 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 the asset.

Capitalization of interest should be suspended during period 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.

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.

Amortization:

The cost, less any residual value of a TCA with a limited life should be amortized over its useful life in a rational and systematic manner.

Amendment to add
May 11, 2010

In the first year of acquiring an asset or putting an asset into service the Town will record 50 percent of the annual amortization. In the year of selling or otherwise disposing of an asset, there shall be no annual depreciation recorded.

The amortization method and estimate of useful life of the remaining unamortized portion should be reviewed on regular basis, as outlined in the table below and revised when the appropriateness of a change can be clearly demonstrated. The purpose of the review is to evaluate the current condition of each asset and evaluate the remaining useful life of each asset and to ensure reliable reporting of the carrying value of those assets.

The following table* shows the classes, capitalization thresholds and amortization method to be used;

<u>Major Asset Class</u>	<u>Minor Asset Class</u>	<u>Capitalization Threshold</u>	<u>Amortization Method</u>	<u>Review Schedule</u>
Land		All land to be recorded, including	N/A	N/A

		roads, lanes, utility right of ways, parks,		
Land Improvements		\$ 5,000.	Straight Line	Every 3 years
Buildings		\$10,000	Straight Line	Every 3 years
Building Improvements		\$10,000	Straight Line	Every 3 years
Engineered Structures	Roadway System	\$25,000	Straight Line	Every 5 years
	Water System	\$15,000	Straight Line	Every 5 years
	Wastewater System	\$15,000	Straight Line	Every 5 years
	Storm Systems	\$15,000	Straight Line	5 years
Machinery & Equipment		\$ 5,000.	Straight Line	Every 3 years
Vehicles		\$ 5,000.	Straight Line	Every 3 years
Cultural & Historical		N/A	N/A	N/A

Disposal:

When a tangible capital asset is sold, the asset register and accounting records must be adjusted to record a loss/gain on disposal.

When other constructed/manufactured tangible assets are taken out of service, destroyed, or replaced due to obsolescence, scrapping or dismantling, the asset register must be adjusted accordingly.

Asset Register:

For each asset, an asset register must be created and should contain the following details;

- Name of asset
- Physical description

- Make, model, serial number
- Date of acquisition
- Location
- Expected useful life - original life
 - expired life
 - remaining life
 - date asset life last reviewed
 - any evidence of impairment
- Historic cost or initial valuation
- Amortization method, rate and amount
- Book value
- Date of disposal

Useful Maximum Life:

The useful life of an asset shall be determined using the attached recommended maximum useful life schedule as set out in the attached Appendix A.

In some situations, the useful life may be longer than the recommended maximum useful life. In such instances, adequate documentation supporting the decision to extend the maximum recommended life should be provided and kept on file until the asset is disposed of.

Assets that are still in active use but are fully amortized should be recorded at the original cost with full amortization until such time as the asset is no longer in use.

The useful life may require revision during its life due to significant events such as major upgrading. The effect of this change must be recorded in the year of revision and future years.

Amended to add
this section
May 11, 2010

Reference:

In the carrying out of this Policy, should questions arise that the Policy does not clearly address, reference shall be made to Tangible Capital Asset Toolkit developed by Alberta Municipal Affairs for direction.

Effective Date: This policy shall be in effect the 1st day of January, 2009.
This policy amended May 11, 2010.



Mayor



Chief Administrative Officer

**Appendix A:
Recommended Maximum Useful Life**

Asset Classification

Definitions of Major Asset Classifications:

a. Land:

Land Includes land purchased or acquired for value for parks, recreation, building sites, infrastructure and other uses, but not intended for resale.

b. Land Improvements:

All improvements of a permanent nature to land such as parking lots, landscaping, lighting, pathways & fences

c. Buildings:

Permanent, temporary or portable building structures, such as offices, garages, shops, warehouses, recreations facilities intended to shelter persons, goods, machinery, equipment and working spaces.

d. Engineered Structures:

Permanent structural works such as roads, water, sewer, distribution lines including plants, substations, lift stations, etc.

e. Machinery and Equipment:

Includes equipment that is heavy equipment for constructing & maintenance of infrastructure, smaller equipment in buildings and offices, furnishings, computer hardware and software. This class does not include stationary equipment used in the engineered structures class.

f. Vehicles:

Rolling stock that is used primarily for transportation purposes.

g. Cultural and Historical Assets:

Works of art and historical treasures that have cultural, aesthetic or historical value that are worth preserving perpetually. These assets are not recognized as tangible capital assets in the financial statements, but the existence of such property should be disclosed. Buildings declared as heritage sites may be included in the asset classification.

Definitions of Minor Asset Classifications:

Buildings and machinery and equipment will be grouped in a subclass for the minor classes of water, wastewater and storm water systems. This treatment is an exception to the recommended approach to classifying tangible capital assets to better report the cost of distribution and transmission systems.

a. Roadway System:

Assets intended for the direct purpose of vehicle or pedestrian travel or to aid vehicle or pedestrian travel. Includes roads, ramps, lights, sidewalks and signage.

b. Water System:

Systems for the provision of water through pipes, comprised of intake, distribution, storage and treatment of safe potable water. Includes mains, services, pumps, plants, reservoirs, equipment, and fire hydrants,

c. Wastewater System:

Systems for the provision of collection and treatment of non-potable water. Includes mains, services, pump, lift stations, plants, lagoons and equipment

d. Storm Systems

Assets used for the collection, storage and transfer of water as a result of rain, flood or other external source to a natural water system. Includes mains, catch basins, outfalls and retention ponds.

Major	Minor	Sub-class One	Sub-class Two	Maximum Useful Life Years
Land				
		Right-of-way		
		Undeveloped Right-of-Way		N/A
		Parks & Recreation		
		General		
Cultural & Historical				
		Public Art		
		Historical		N/A
		Heritage Site		

Major	Minor	Sub-class One	Sub-class Two	Maximum Useful Life Years
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Land Improvements

Parking Lot				
	Gravel	(amended May 11, 2010)		35
	Asphalt	(amended May 11, 2010)		45
Playground Structures				15
Landscaping				25
Fences				20
Retaining Walls				20
Outdoor Lighting				20
Bike/Walking/Jogging Paths				
	Gravel	(amended May 11, 2010)		35
	Asphalt	(amended May 11, 2010)		45

Buildings

Permanent Structures				50
Portable Structures				25

Engineered Structures

Roadway Systems

Curb & Gutter	(amended May 11, 2010)			45
Lanes & Alleys				
	Asphalt	(amended May 11, 2010)		45
	Gravel	(amended May 11, 2010)		45
Local/Collector/Arterial Roads				
	Asphalt	(amended May 11, 2010)		45
	Cold Mix	(amended May 11, 2010)		35
	Oil & Gravel Mix	(amended May 11, 2010)		35
	Gravel	(amended May 11, 2010)		35
	Sub-surface	(amended May 11, 2010)		35
Road Signs				
	Traffic Control			20
	Information			20
Lights				
	Decorative			30
	Street			30
	Traffic			30
Sidewalks & Para-ramps				
	Concrete			30

Major	Minor	Sub-class One	Sub-class Two	Maximum Useful Life Years
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Water System

Distribution System	
Mains - Asbestos Concrete <i>(amended May 11, 2010)</i>	50
- PVC <i>(amended May 11, 2010)</i>	80
Services	75
Pumps. Lift, transfer stations	45
Plants & facilities	
Structures	45
Treatment Equipment	45
Pumping Equipment	45
Hydrant/Fire Protection	75
Reservoirs	45

Wastewater System

Collection System	
Mains	75
Services	75
Manholes	75
Pump, lift, transfer stations	45
Pumping equipment	45
Lagoons <i>(amended May 11, 2010)</i>	50

Storm Water Systems

Collection System	
Mains	75
Catch basins	75
Outfalls	75
Wetlands & Retention ponds	75

Major	Minor	Sub-class One	Sub-class Two	Maximum Useful Life Years
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Machinery and Equipment

		Heavy Construction & Maintenance Equipment (examples: Tractor, Bobcat, Street Sweeper)		10
		Fire Equipment		12
		Communication Systems		10
		Meters – Water		40
		Grass/Turf Equipment		
		ride-on mowers		10
		Ice Re-surfacer		
		Zamboni		20
		Other Maintenance Equipment (over \$5,000.00 in value)		Variable
		Office Furniture & Equipment		
		Furniture		20
		Photocopiers		5
		Computer Equipment		
		Hardware (Printers, Monitor, Tower)		5
		Software		10

Vehicles

		Light duty (under 8,500 kg.)		10
		Heavy duty (over 8,500 kg.)		10
		Fire Trucks		20