

Village of Bawlf

Name: Tangible Capital Assets-
Classification/Capitalization Threshold/Amortization

Policy: Policy No. 12

Department: All

Responsibility: CAO

**Approved by
Council:** Date: October 22, 2008 Resolution #: 116/08

Purpose:

The purpose of the 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.

A number of recommendations for TCA have been established by Alberta Municipal Affairs & Housing (AMAH). These recommendations will be adopted by the village.

Tangible Capital Asset:

Tangible Capital Assets are non-financial assets having physical substance that:

- are used on a continuous basis by the Village
- have useful economic lives extending beyond one year
- are not for resale in the ordinary course of operations

Subsequent expenditures on a recorded TCA that:

- increase output or service capacity
- increase the service life
- lower associated operating costs
- improve the quality of the output

should be classified as betterments and capitalized accordingly. Any other expenditure should be considered a repair or maintenance and should be expensed in the period.

Authority:

Internal decisions shall be carried out as indicated in the following table:

ACTION	WHO	By when
Develop Policy	CAO in consultation with auditor	September 19, 2008
Approve Policy	Council	September 23, 2008
Prepare Implementation plan	CAO	September 30, 2008
Record Tangible Capital Assets as per Policy	CAO in consultation with auditor	December 31, 2008
Ensure policy is followed	CAO	Ongoing
Policy amendments	CAO - draft Council - approve	As needed

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. The amortization method and estimate of useful life of the remaining unamortized portion should be reviewed on a regular basis (as outlined in the table below or more frequently if needed) and revised when the appropriateness of a change can be clearly demonstrated.

Scope:

This policy addresses the following:

- Asset classifications (major & minor)
- Capitalization threshold for each asset classification
- Amortization method to be used
- Maximum Useful Life (see Schedule A)
- Review schedule
- Recording Assets & Maintaining records
- Asset Disposal
- Financial Reporting and Budgets

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

Major Asset Class	Minor Asset Class	Capitalization Threshold	Amortization Method	Review Schedule
Land		All land will be recorded	N/A	N/A
Land Improvements		\$ 2,000	Straight Line	Every 3 years
Buildings		\$5,000	Straight Line	Every 5 years
Engineered Structures	Roadway System	\$5,000	Straight Line	Every 5 years
	Water System	\$5,000	Straight Line	Every 5 years
	Wastewater System	\$5,000	Straight Line	Every 5 years
	Storm System	\$5,000	Straight Line	Every 5 years
Machinery & Equipment		\$2,000	Straight Line	Every 3 years
Vehicles		\$2,000	Straight Line	Every 3 years
Cultural & Historical		\$2000	Straight Line	Every 3 years

**Where the above table cannot be used, the auditor for the village will be consulted to assist in establishing the correct accounting procedures for a TCA.*

Classification of Assets:

1. Major Asset Classifications:

- a) Land** - Includes land purchased or acquired for value for parks, recreation, building sites, infrastructure, and other program use, but NOT land held for resale.
- b) Land Improvements** - All improvements of a permanent nature to land such as parking lots, landscaping, lighting, pathways, and fences.
- c) Buildings** - Permanent, temporary or portable building structures, such as offices, garages, warehouses, recreation

facilities intended to shelter persons, machinery, equipment and working space.

- d) Engineered Structures** - permanent structural works such as roads, water and sewer, utility distribution systems.
- e) Machinery & Equipment** - Heavy equipment, fire-fighting equipment, smaller equipment in buildings and offices, furnishings, computer hardware and software. This does not include stationary equipment used in the engineered structures class.
- f) Vehicles** - Rolling stock that is used primarily for transportation purposes, including rescue van.
- g) Cultural and Historical Assets**- Works of art and historical treasures that have cultural, aesthetic or historical value that are worth preserving perpetually. These 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 this classification.

2. Engineered Structures - minor classes

- a) Roadway System** - Assets intended for the direct purpose of vehicle or pedestrian travel. Includes roads, bridges, lights, sidewalks and signage.
- b) Water System** - Systems for the provision of water through pipes or other constructed convey. Normally comprised of assets for the intake, distribution, storage and treatment of safe potable water. Includes mains, services, pump and lift stations, plants and equipment, reservoirs, fire hydrants, and wells.
- c) Wastewater System** - Assets used for the collection and treatment of non-potable water intended for return to a natural water system. Includes mains, services, pump and lift stations, septic tanks, plants, equipment, and lagoons.
- d) Storm System** - Assets used for collection, storage and transfer of water as a result of rain, snow or other external source to a natural water system. Includes mains, ditches, services, catch basins, pump and lift stations, outfalls, and retention ponds.

Recording Assets and Maintaining Records:

1. The CAO shall be responsible to ensure that asset records are current, accurate and complete.
2. The CAO and Director of Public Works should conduct asset inventories annually at year-end.
3. Asset improvements, additions, retirements and disposals shall be recorded in the general ledger.
4. All supporting documentation which relates to asset improvements, additions, retirements and disposals shall be retained in a permanent Tangible Capital Assets file. Documentation will include information on how the useful life and value of assets was determined.
5. TCAs shall be recorded in the Tangible Capital Assets spreadsheets.

Asset Disposal:

1. An asset shall be defined as surplus when:
 - (a) it has been replaced by an asset which will fulfill the same purpose, and/or
 - (b) it has not been used for Village purposes for at least one year, and/or
 - (c) Council declares it to be surplus.
2. When an asset has been defined as surplus, it should be disposed of as soon as possible by one of the following means:
 - (a) if it is deemed to have a residual value over \$1000, it shall be sold by tender, or
 - (b) if deemed to have a residual value less than \$1,000, it may be sold by Council resolution.
3. Upon disposal of an asset, all bills of sale, invoices, and other information regarding the disposal shall be retained in the TCA File.
4. Proceeds of disposals shall be recorded in the general ledger as a reduction of TCAs.

Financial Reporting and Budgets:

The format for reporting amortization and tangible capital assets in the financial reports shall be disclosed as follows:

- a) Cost at the beginning and end of the period;
- b) Additions in the period;
- c) Disposals in the period;
- d) The amount of any write-downs in the period;
- e) The amount of amortization of the costs of the tangible capital assets for the period;
- f) Accumulated amortization at the beginning and end of the period; and
- g) Net carrying amount at the beginning and end of the period.

Each tangible capital asset will also require the following information to be disclosed:

- a) The amortization method used, including the amortization period for each major category of tangible capital asset; and
- b) The net book value of tangible capital assets not being amortized.

The annual budget shall include amortization expense as a line item.

Asset Classes		Maximum Useful Life
Major	Minor	
	Sub-Class One	
	Sub-Class Two	
	Sub-Class Three	
ENGINEERED STRUCTURES		
	Roadway Systems:	
	Curb and gutter	30
	Roads and Streets (<i>*subject to weather conditions</i>)	
	Lanes/Alleys:	
	ACP – Hot Mix	20*
	Gravel	15*
	Non-Conforming	20*
	Local/Collector/Arterial/Major Arterial:	
	Concrete	30*
	ACP – Hot Mix	20*
	ACP – Cold Mix	10*
	Chip Seal	10*
	Oil	5*
	Gravel	15*
	Road Signs:	
	Traffic Control	30
	Information	30
	Lights:	
	Decorative	30
	Street	30
	Sidewalks and Para Ramps	20
	Construction in Progress	
	Water System:	
	Distribution System:	
	Mains	75
	Services	75
	Pump, Lift and Transfer Stations	35
	Plants and Facilities:	
	Structures	40
	Treatment Equipment	
	Mechanical	40
	Electrical	40
	General	40
	Pumping Equipment	40
	Hydrants/Fire Protection	40
	Reservoirs	40
	Construction in Progress	

Major Minor Sub-Class One Sub-Class Two Sub-Class Three	Asset Classes Maximum Useful Life
Wastewater System: Collection System: Mains 75 Services 75 Pump, Lift and Transfer Stations 35 Plants and Facilities: Structures 40 Treatment Equipment: Mechanical 40 Electrical 40 General 40 Pumping Equipment 40 Lagoons 40 Construction in Progress Storm System: Collection System 30 Plants and Facilities 40 Other	
MACHINERY AND EQUIPMENT Heavy Construction Equipment variable Inventory (Stores) 25 Agricultural Equipment variable Fire Equipment 12 Fitness and Wellness 10 Control Systems: 5 Communication Links 20 SCADA System? 10 Communications: Radios 10 Telephone Systems 10 Tools, Shop and Garage Equipment 15 Scales 15 Bins 15 Meters 20 Water 40 Parking Meters and Splitters 20 Turf Equipment 10 Ice Re-Surfacer 10	

Asset Classes		Maximum Useful Life
Major	Minor	
	Sub-Class One Sub-Class Two Sub-Class Three	
	Office Furniture and Equipment: Furniture Office Equipment: Audio/Visual Photocopiers Computer Systems: Hardware Software Construction in Progress	 20 5 10 5 5 10
	VEHICLES Light Duty Medium Duty Heavy Duty Fire Trucks Construction in Progress	 10 10 10 25
	CULTURAL AND HISTORICAL Public Art Historical Heritage Site	