

# Policy

**POLICY TITLE: TANGIBLE CAPITAL ASSETS**

**POLICY NO.: ADM-12-11**

**RESOLUTION: 192-10**

**EFFECTIVE DATE: 2010-06-23**

**DEPARTMENT RESPONSIBLE: Administration**

**NEXT REVIEW DATE:** Click or tap to enter a date.

## **POLICY STATEMENT:**

All Tangible Capital Assets, as defined below, meeting the capitalization threshold for their class, are to be capitalized and amortized over their useful life as per the schedules below.

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## **PURPOSE**

Municipal District #124 frequently acquires physical assets that have economic lives extending beyond the fiscal year in which they are purchased. Municipal District #124 wishes to establish a policy that will allow Administration to determine which physical assets should be capitalized as tangible capital assets and which should not. This policy will ensure that all asset capitalization is done consistently on the basis of estimated life and cost.

## **TANGIBLE CAPITAL ASSETS**

Tangible Capital Assets (TCA) are non-financial assets of a physical nature that are used on a continuous basis, have economic lives beyond one year and are not for resale in the ordinary course of operations. Subsequent expenditures on a TCA that increase output or service capacity, increase the service life, lower associated operating costs or improve the quality of the output should be classified as betterments and be capitalized accordingly. Any other expenditures should be considered as repairs or maintenance and be expensed in the period.

Contributed or donated assets are to be recorded at fair value.

The cost of a Tangible Capital Asset is the gross amount of consideration paid to acquire the asset. Costs such as non-refundable taxes, freight and delivery charges, installation and site preparation costs. Discounts and rebates would reduce the total cost. The cost of constructing an asset would also include direct construction or development costs (such as material and labor) and overhead costs directly attributable to the construction or development activity. Capital grants would not be netted against the cost of the related tangible capital asset.



## CLASSES OF TCA

### 1. Land:

Includes land purchased or acquired for value for building sites, infrastructure, parks and recreation and other program use, but does not include land held for resale. This also includes rights-of-way and undeveloped road allowances.

### 2. Land Improvements:

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

### 3. Buildings:

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

### 4. Engineered Structures:

All permanent structural works such as roads, sidewalks, curbs, gutters, bridges and water and sewer distribution and transmission systems, including plants and substations.

### 5. Machinery and Equipment:

Fixed or movable devices for performing any sort of work, such as graders, loaders, trailers, landfill bins, motors, pumps, electrical or control devices, furnishings and computer hardware and software. Not included are hand tools or implements and accessories which are of nominal value.

### 6. Vehicles:

Includes trucks, trailer units and fire trucks.

### 7. 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 this asset classification.

## AMORTIZATION AND CAPITALIZATION THRESHOLD

All TCA's held by Municipal District # 124 will be amortized using the straight line amortization method. Municipal District #124 intends to use all TCA's to the conclusion of their useful lives and does not recognize any residual value of its assets. The following formula will be used:

$$\frac{\text{Historical cost}}{\text{useful life}} = \text{annual amortization}$$





The amortization method and estimate of useful life will be reviewed on a regular basis and revised when the appropriateness of a change can be clearly demonstrated. The following table shows the classes, capitalization thresholds and amortization method to be used.

Bulk purchases of like assets with unit costs below the threshold will not be capitalized as each asset on its own is not of significant value.

Asset Class	Capitalization Threshold	Amortization Method
Land	all land to be recorded	N/A
Land Improvements	\$5,000	straight line
Buildings	\$50,000	straight line
Engineered Structures	\$50,000	straight line
Machinery & Equipment	\$5,000	straight line
Vehicles	\$5,000	straight line

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Chief Administrative Officer

\_\_\_\_\_ June 23, 2010 \_\_\_\_\_  
Date

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## Schedule A

*Recommended Maximum Useful Life*

	Years
<b>Land</b>	
▪ Right-of-way	
▪ Undeveloped Right-of-way	
▪ Parks	
▪ General	
<b>Cultural &amp; Historical Assets</b>	
▪ Heritage Site	
<b>Land Improvements</b>	
▪ Parking Lot	
a. Gravel	15
b. Asphalt	25
▪ Retaining Walls	20
<b>Landfill Transfer Stations</b>	25
<b>Buildings</b>	
▪ Permanent Structures	50
▪ Portable Structures	25
<b>Engineered Structures</b>	
▪ Roadway System	
a. Bridges	Variable
b. Overpass/Interchange	60
▪ Roads and Streets	
a. Lanes/Alleys	
b. Gravel	15
c. Local/Collector/Arterial/Major	
d. Arterial incl. Subsurface	
▪ Surface	
a. ACP – Hot Mix	20
b. ACP – Cold Mix	10
c. Chip Seal	10
d. Oil	5
e. Gravel	25
▪ Road Signs	
a. Traffic Control	10
b. Information	10
▪ Lights	
<b>Water System</b>	
▪ Distribution System	
a. Mains	7550
b. Services	7550
▪ Plants and Facilities	
▪ Treatment Equipment	
a. Mechanical	25



## Lesser Slave River

b. Electrical	25
c. General	25
d. Pumping Equipment	25
e. Hydrants/Fire Protection	50
f. Reservoirs	50
<b>Wastewater System</b>	
▪ Collection System	7550
a. Mains	7550
b. Services	25
▪ Pump, Lift and Transfer Stations	
▪ Plants and Facilities	
▪ Treatment Equipment	
a. Mechanical	25
b. Electrical	25
c. General	25
▪ Pumping Equipment	25
▪ Lagoons	45
<b>Machinery and Equipment</b>	
▪ Heavy Construction Equipment	5
▪ Light construction Equipment	5
▪ Fire Equipment	12
▪ Police Special Equipment	10
▪ Control Systems	5
a. Communication Links	20
b. SCADA System	10
▪ Fuelling Stations	15
▪ Communications	
a. Radios	10
b. Telephone Systems	10
▪ Tools, Shop and Garage Equipment	15
▪ Bins/Scales	15
▪ Meters	
▪ Water	
a. Portable Water Truckfill	10
▪ Office Furniture and Equipment	
a. Furniture	20
b. Office equipment	10
▪ Computer Systems	
a. Hardware	5
b. Software	10
<b>Vehicles</b>	
▪ Light Duty	5
▪ Medium Duty	5
▪ Heavy Duty	5
▪ Fire Trucks	15
▪ Boats	25