



Tangible Capital Asset

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| Procedure No.: CS-FIN-7 | Council Resolution No.: N/A |
| Department: Corporate Services | Authority: Chief Administrative Officer |
| Effective Date: March 9, 2020 | Revision Date: |
| Review Date: March 2023 | Repealed Date: |
| Supersedes: Tangible Capital Asset Guideline 08/07/21 | |
| Related Policy No.: CS-FIN-7 | |
| Related Policy Name: Tangible Capital Assets | |

Purpose

This document provides guidelines for the accounting treatment of tangible capital assets including asset recognition, valuation, amortization, disposals and the recognition of any related impairment losses, in accordance with the Public Sector Accounting Board (PSAB).

In addition, the policy procedure covers:

- Protect and control use of all tangible capital assets
- Provide accountability over tangible capital assets
- Gather and maintain information needed to prepare financial statements

Operating Guidelines

Definitions

- 1) "Amortization" means the expensing of a fixed asset over its useful life.
- 2) "Assets" means an economic resources controlled by the Town as a result of past transactions or events and from which future economic benefits may be obtained.
Assets have three essential characteristics:
 - a. They embody a future benefit that involves a capacity, singly or in combination with other assets, to provide future net cash flows, or to provide goods and services;
 - b. The Town can control access to the benefit; and
 - c. The transaction or event-giving rise to the local government's control of the benefit has already occurred.
- 3) "Betterments/Improvements" means subsequent expenses on tangible capital assets that:
 - 4) Increases previously assessed physical output or service capacity;
 - 5) Lowers associated operating costs;
 - 6) Extends the useful life of the asset; and
 - 7) Improve the quality of the output.



- a. All other expenses would be considered a repair or maintenance and expense in the period.
- 8) "Buildings" means permanent, temporary or portable building structures, such as offices, garages, warehouses, and recreation facilities intended to shelter persons and/or goods, machinery, equipment and working space.
- 9) "Building Improvements" means significant alterations, renovations, or structural changes that increase the usefulness of the building asset, enhances its efficiency, or prolong its useful life by at least one year.
- 10) "Capitalization of interest costs" means external borrowing costs incurred by the acquisition, construction and production of an asset that takes a substantial period of time to get ready for its intended use should be capitalized as a part of the cost of that asset. Capitalization of interest costs should commence when expenses are being incurred, borrowing costs are being incurred, and activities that are necessary to prepare the asset for its intended use are in progress. Capitalization should be suspended during periods 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. If only minor modifications are outstanding, this indicates that substantially all of the activities are complete.
- 11) "Capitalization value" means all costs directly attributed to acquire, install, construct, develop or improve a capital asset.
- 12) "Capitalization versus expense" means decisions will be made by the Corporate Services Department in deciding on capitalization or expensing of assets. See Appendix 1 – Capitalization Decision tree.
- 13) "Capital Lease" means a non-financial asset that has physical substance and a useful life extending beyond an accounting period, and is held under lease by a government for use, on a continuing basis, in the production or supply of goods and services. Under the terms and conditions of the lease, substantially all of the benefits and risks incident to ownership, in substance, transferred to the government without necessarily transferring legal ownership. Lease arrangements are strictly prohibited unless specifically authorized by the Chief Administrative Officer or Town Council.
- 14) "Capital Projects" means representation of the initial construction, acquisition over time, or improvements to a capital asset.
- 15) "Carrying Costs" means costs directly attributed to an asset acquisition, construction or development activity that, due to the nature of the asset, takes a long period of time to get ready for its intended use. Typical carrying costs include:
 - a. Technical and administrative work prior to commencement of and during construction;
 - b. Overhead charges directly attributable to construction or development; and
 - c. Interest.
- 16) "Complex Network Systems" means a system of assets where defined boundaries exist, such as roadways, water pipes, electrical wires and other linear assets.
- 17) "Cost" means the amount of consideration paid to acquire, construct, develop or better a tangible capital asset. It includes all non-refundable taxes and duties, freight and delivery charges, installation and site preparation costs, etc. is net of any trade discount or rebates.
- 18) "Cultural and Historical" means works of art and historical treasures that have cultural, aesthetic or historical value that is worth preserving perpetually. These assets are not



recognized as tangible capital assets in the financial statements; however, they should still be disclosed.

- 19) "Direct Costs" means incremental costs incurred by the Town for the acquisition, construction or development of a tangible capital asset. Direct costs would not have been incurred other than to acquire, construct or develop the tangible capital assets. For example, directly related employee salary and benefits, materials and supplies, equipment, temporary site buildings, legal and other professional fees, etc., should be considered direct costs.
- 20) "Directly Attributable Overhead Costs" means the direct incremental expenses incurred for technical and administrative activities related to the construction of tangible capital assets. These costs should include the salaries and benefits for internal staff doing design work related to the construction project. It would not include the allocation of fixed costs incurred by the Town such as human resources, legal, purchasing and accounting. These latter costs are incurred whether or not the construction project is undertaken and, therefore, would not be incremental overhead expenses directly attributable to the cost of the project. Refer also to the definitions of direct costs and indirect costs.
- 21) "Engineered Structure" means permanent structural works such as roads, bridges, canals, dams, water, sanitary sewer and storm sewer, utility distribution and transmission systems including plants and substations.
- 22) "Expenses" means decreases in economic resources, by way of either outflows or reductions of assets or incurrence of liabilities, resulting from operations, transactions and events of the accounting period.
- 23) "Fair Value" means the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.
- 24) "Gains/Losses" means to arise from peripheral or incidental transactions and events affecting a local government. Such transactions and events include the disposition of assets purchased for use and not for resale.
- 25) "Historical Cost" means the original cost, usually the purchase price at which the tangible capital asset is initially recorded. This cost includes freight and delivery charges, insurance and installation. The cost does not include GST and is net of any discounts or rebates.
- 26) "Impairment" means when conditions indicate that a tangible capital asset no longer contributes to a local government's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.
- 27) "Indirect Costs" means costs incurred for a common or joint purpose and therefore, cannot be identified readily and specifically with an activity related to the acquisition, construction or development of a tangible capital asset. For example, executive management, occupancy costs for general administrative buildings, corporate services (accounting, payroll, legal, technical, etc.), general local government, etc., would be considered indirect costs.
- 28) "Land" means land purchases or acquired for value for parks and recreation, building sites, infrastructure (highways, dams, bridges, tunnels, etc.) and other program use but not land held for resale. The cost would include purchase cost plus legal fees, land registration fees, transfer taxes, etc. and any other costs to make the land suitable for



intended use, such as leveling, clearing and site improvements that become part of the land.

- 29) "Land and Recreational Land Improvements" means all improvements of a permanent nature to land such as parking lots, landscaping and lighting (other than street lighting). Included are improvements made to land for recreational use by the public. Some examples would consist of pathways/walkways, ball diamonds/dugouts, football fields, soccer pitches, tennis courts, scoreboards and fences.
- a. Disclaimer: Corporate Services will not create a pooling category for bio assets such as trees. However, to bring parks into service, landscaping costs are considered direct costs (including immovable benches, gazebos, playground structures, trees and grasses) that may be capitalized. International accounting standards specifically exclude biological assets and do not apply to natural resources.
- 30) "Machinery, Equipment and Furnishings" means equipment for constructing or maintaining infrastructure, equipment for providing service, equipment in buildings and offices, furnishings, computer hardware and software.
- 31) "Net Book Value" means a tangible capital asset's cost, less accumulated amortization and the amount of any write-downs.
- 32) "Non-Capitalized Assets" means assets that do not meet the capitalization criteria and are expensed and are still assets of the Town of Taber. Assets should be tracked, controlled, maintained and managed by the applicable department unit accordingly.
- 33) "Replacement Cost" means the cost required to replace an asset with a new unit utilizing current technology and construction materials at current market prices.
- 34) "Residual Values" means the estimated net realizable value of a tangible capital asset at the end of its estimated useful life.
- 35) "Sensitive Assets" means items which meet the definition of a tangible capital asset, are not capitalized (for example; because they do not meet the established threshold levels), care must be taken to ensure the adequate control is maintained over any such items that fall within the following categories:
- a. Items that require special attention to ensure legal compliance (e.g. items acquired through grant contracts)
 - b. Items that require special attention to protect public safety and avoid potential liability (e.g. Police weapons)
 - c. Items that require special attention to compensate for a heightened risk of theft (e.g. 'walk away' items like sound equipment).
- 36) "Straight-Line Amortization" means the allocation of cost less estimated residual value of a capital asset equally over each year of its estimated useful life.
- 37) "Tangible Capital Assets" means non-financial assets having physical substance that:
- 38) Are 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 capital assets;
- 39) Have useful economic lives extending beyond an accounting period; and
- 40) Have been acquired to be used in the ordinary course of operations, not held for resale, and for use on a continuing basis.
- 41) "Useful Life" means the estimate, at the date of acquisition, of the period an asset will serve its intended purpose or the length of time the asset is expected to be used. The life of tangible capital assets, other than land, is finite, and is normally the lesser of the



physical, technological, commercial and legal life. The life of a tangible capital asset may extend beyond its useful life.

- 42) "Vehicles" means all assets that are used primarily for transportation purposes (excluding watercraft).
- 43) "Write Down" means when conditions indicated that a tangible capital asset no longer contributes to its ability to provide goods and services, or that its value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset should be reduced to reflect this decline in the assets value.
- 44) "Write Off" means the removal of the cost and accumulated amortization of the asset from the general ledger and sub-ledger that only occurs when the asset is sold, removed from service, salvaged, lost or stolen.

Scope

This procedure provides information on basic tangible capital assets concepts and how to account for the Town's tangible capital assets. This procedure addresses the following:

- Asset classification (major and minor)
- Capitalization threshold for each asset classification
- Treatment of tangible capital assets
- Amortization method to be used
- Financial statement presentation and disclosures

This procedure will apply to all Town of Taber departments.

This procedure does not apply to intangible assets, natural resources and Crown lands that have not been purchased by the Town. All tangible property owned by the Town, either through construction, purchase, or donation, and which qualify as capital assets are addressed in this policy.

1) Asset Classification:

All tangible capital assets will be classified into major, minor, and where necessary, Subclasses of assets as defined in this section.

- a. Major classifications- A group of TCA's that are significantly different in design and use. The categories in the Major asset classifications are as follows:
 - i. Land- Land purchased or acquired for value for parks and recreation, building sites, infrastructure and other program use, but not land held for resale.
 - ii. Land Improvements- All improvements to land of a permanent nature such as parking lots, landscaping, lighting, pathways, and fences.
 - iii. Buildings- Permanent, temporary or portable building structures, such as offices, garages, warehouses, and recreation facilities intended to shelter persons and/or goods, machinery, equipment, and working space.
 - iv. Engineered Structures- Permanent structural works such as roads, bridges, canals, dams, water and sewer, and utility distribution and transmission systems, including plants and substations.
 - v. Machinery, Equipment & Furnishings- Equipment that is heavy equipment for constructing infrastructure, smaller equipment in buildings and offices,



furnishings, computer hardware and software. (This class does not include stationary equipment used in the engineered structure class).

- vi. Vehicles- Rolling stock that is used primarily for transportation purposes.
 - vii. Cultural and Historical (not capitalized)- Works of art and historical treasures that have cultural, aesthetic or historical value that are worth preserving perpetually. These assets are not recognized as TCAs in the financial statements, but the existence of such property is to be disclosed. Buildings declared as heritage sites may be included in this asset classification.
- b. **Minor Classification-** A classification within a Major asset class that has unique characteristics. Engineered Structures is further broken down into the following minor asset classifications:
- i. **Roadway system-** Assets intended for the direct purpose of vehicle or pedestrian travel or to aid in vehicle or pedestrian travel.
 - ii. **Storm system-** 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.
 - iii. **Wastewater system-** Wastewater – Wastewater is defined as water that has been used for household, business and other purposes, which flows from private plumbing systems to public sanitary sewers and on to treatment plant. This system is comprised of assets used for the collection and treatment of non-potable water intended for return to a natural water system or other originating water source or used for other environmentally approved purposes.
 - iv. **Water system-** Systems for the provision of water through pipes or other constructed convey. It is normally comprised of assets for the intake, distribution, storage, and treatments of safe potable water. It may also be comprised of assets required to distribute non-potable water.

2) Amortization:

- a. Generally, the Town of Taber uses a straight-line method for calculating annual amortization less the residual value of an asset. Amortization begins in the year of acquisition, and is calculated over the useful life of the asset and ceases in the year of disposal. The value is not pro-rated in the year of purchase.
- b. Refer to Appendix 3- Estimated Maximum Useful Life- Use of Straight Line Amortization Method.
- c. In the year, an asset is acquired or put into service and in the year of disposal, an amount equal to 50 percent of the annual amortization will be expensed.
- d. Land is not a depreciable asset as the expected useful life is infinite. Land will be inventoried and recorded on the statement of financial position at historical cost until such time it is disposed of. There will be no annual amortization expense recognized.

3) Betterments:

- a. **Betterments other than Complex Network Systems:** The cost of betterments is considered to be part of the cost of a tangible capital asset and would be added to the recorded cost of the related asset.



b. **Betterment for Complex Network Systems:** This definition of betterment is more difficult to apply to tangible capital assets that are complex network systems and are very long-lived, such as highway and water systems, because of identifying expenses that would extend their lives may not be practical. For example, expenses on road systems to widen the roads or add to the number of lanes to expand the capacity of road system to provide services and are clearly betterments. On the other hand, expenses occurred to maintain the original anticipated service potential of a road, or its estimated useful life, are more in the nature of maintenance. For complex network systems, therefore, the following basic distinctions can be used to identify maintenance and betterments:

- i. Maintenance and repairs maintain the predetermined service potential of a tangible capital asset for a given useful life. Such expenses are charged in the accounting period in which they are made of.
- ii. **Betterments:**
 - 1. Increase previously assessed physical output or service capacity;
 - 2. Lower associated operating costs;
 - 3. Extends the useful life of the asset;
 - 4. Improve the quality of the output.

c. **Recording Betterments:**

Subsequent expenditures on existing assets that meet the definition of a betterment will be capitalized accordingly. Expenditures incurred to maintain the originally anticipated service potential of an asset should be considered a repair or maintenance and will be expensed in the period.

4) **Information Technology Assets:**

a. **In House Software Development:** Software can be capitalized if certain criteria are met:

- i. The product and costs linked to the software can be identified;
- ii. The feasibility of the product is established;
- iii. The Town of Taber management has intentions of using the product internally and its usefulness has been established; and
- iv. Adequate resources exist or are available to complete the product.

Guideline for capitalization of IT assets:

- | | |
|--|----------------------|
| o Cost incurred in the planning stage | Expensed |
| o Cost incurred in the development stage | Capitalized |
| o Cost incurred to develop content | Expensed/Capitalized |
| o Cost incurred in the operating stage (training, maintenance, support, annual fees, administration) | Expensed |

Upgrades: Upgrades can be capitalized if they meet the betterment criteria but are not capitalized if included in the annual maintenance and licensing fees.

5) **Estimated Useful Life:**

a. In determining its asset’s estimate useful life, the Town considers its assets present condition, intended use, construction type, and maintenance policy. Schedule A shows the maximum expected life for all major classes of TCA’s. The actual length of



the useful life for an asset will depend on the asset quality and its intended use. In some situations, the useful life may differ from the values in Schedule A. In such instances, adequate documentation to support the variance from the recommended maximum will need to be obtained.

- b. PS 3150 identifies the following significant events may indicate a need to revise the amortization method estimated of the remaining useful life of a tangible capital asset:
 - i. a change in the extent to which the tangible capital asset is used;
 - ii. a change in the manner in which the tangible capital asset is used;
 - iii. removal of the tangible capital asset from service for an extended period of time;
 - iv. physical damage;
 - v. significant technical developments;
 - vi. a change in the demand for the service provided through the use of tangible capital asset; and
 - vii. a change in the law or environment affecting the period of time over which the tangible capital asset can be used.
 - c. A change in the assets amortization rate as a result of a revision of its estimation life is treated as a change in the accounting estimates rather than a change in accounting policy. Under PS 2120 Accounting Changes, paragraph 27, a change in the estimated useful life and impact on amortization expense are allocated in the period of revision and applicable future periods.
- 6) Valuation:
- a. Tangible capital assets should be recorded at cost plus all ancillary charges necessary to place the asset in its intended location and condition for use.
 - b. In all cases where historical cost is readily attainable in a cost effective manner, the Town will use historical cost when capitalizing the asset.
 - c. Where historical costs of tangible assets (such as engineered structures and buildings) are extremely difficult to ascertain due to lack of records, the Town will estimate the historical cost by calculating the current replacement cost of a similar asset and deflating this cost through the use of an appropriate price-level index to the acquisition year (or estimated acquisition year if the actual year is unknown).
 - d. Where discount fair market value cannot be estimated, the Town will value its assets using the fair market value deflated using an appropriate price-level index to the acquisition year.
 - e. To simplify the process for the initial implementation, the Town will assume that the residual/salvage value of the tangible capital sets is zero, unless otherwise provided.
 - i. Acquired, Constructed or Developed Assets (Including Engineering and Project Planning):



Cost includes all costs directly attributable (e.g. construction, architectural and other professional fees) to the acquisition, construction or development of the asset. Costs associated with official plans and feasibility studies are recognized initially as an operating expense when incurred due to insufficient certainty that the project will be approved in the capital budgeting process. In the event that a capital project is approved for construction and further planning and study costs are incurred after the approval is made, they are deemed directly attributable in enabling decision takes place are capitalized. Carrying costs such as internal design, inspection, administrative and other similar costs may be capitalized. Capitalization of carrying costs ceases when no construction or development is taking place or when the tangible capital asset is ready for use. Capitalization of general administrative overheads is no allowed.

- ii. **Bulk Purchases:**
Capitalization decisions will be made by the Corporate Services Department using Appendix 2 – Bulk Purchase Decision tree.
- iii. **Capitalization of External Interest Costs:**
External borrowing costs incurred by the acquisition, construction and production of an asset that take a substantial period of time to get ready for its intended use should be capitalized as a part of the cost of that asset. Capitalization of interest costs should commence when expenses are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalization should cease when substantially all of the activities are necessary to prepare the asset for its intended use are complete. If only minor modifications are outstanding, this indicated that substantially all of the activities are complete.
- iv. **Donated or Contributed Assets:**
 1. Are assets that have been transferred or donated to the Town by another entity. The cost of donated or contributed assets (including a TCA in lieu of a developer charge), that meet the criteria for recognition is equal to the fair value at the date of contribution. Fair value may be determined by an estimate of replacement cost. In unusual circumstances, where an estimate of fair value cannot be made, the TCA would be recognized at a nominal value.
 2. For subdivision developments, the date of contribution is to be when the Town issues the Construction Completion Certificates. Prior to this date, the asset is assumed to be in progress by the developer with no useful life consumed. Ancillary costs should be capitalized (e.g. subdivision roads, underground services, etc.).
- v. **Purchased Assets:**
When two or more assets are acquired for a single purchase price (e.g. land and building), it is necessary to allocate the purchase price to the various asset acquired. Allocation should be based on the fair value of each asset at



the time of acquisition or some other reasonable basis if fair value is not readily determinable. Policy requires that maximum value of an acquisition is obtained by determining the total cost of performing the intended function over the lifetime of the asset. This may include, but not be limited to acquisition cost, disposal value, disposal cost, training cost, maintenance cost, quality of performance and environmental impact.

7) Capitalization Thresholds:

- a. Capitalization thresholds have been established for each major asset class which will determine whether expenditures should be capitalized or expense in the current year. Expenditures that meet both the criteria of a TCA and exceeds the threshold outlined in Schedule A of this policy, are to be recorded as a TCA and will be financially reported as such.
- b. There is no capitalization threshold for Land. All land, excluding land held for resale, will be capitalized because of its' permanent nature.

8) TCA Inventory

a. Acquisition and Valuation:

- i. TCA's are recorded at historical cost plus all ancillary charges necessary to place the asset in its intended location and condition for use. Where the actual historical cost is not available, the current value will be determined by discounting the replacement cost using an appropriate Price Index for the asset. If required, the sources used may consist of the Canadian Non-Residential Building Construction Price Index, the Canadian Consumer Price Index, and the Alberta Consumer Price Index. Where necessary, if the actual historical cost is available for a similar type asset that was constructed or purchased in the same year as an asset with an unknown cost, the actual historical cost date will be used. The calculated historical cost will then be reduced by the accumulated amortization in order to calculate the net book value of the asset.

b. Disposal:

- i. Disposals of TCA's in the accounting period may occur by sale, trade-in, destruction, loss or abandonment. Such disposals represent a reduction in the Town's investment in TCA's, regardless of how that investment is reported.
- ii. When TCA's are disposed of, employees must notify the Finance Department of the asset description and effective date. The Finance Department is responsible for adjusting the asset registers and accounting records.
- iii. The difference between the net proceeds on disposal of a TCA and the net book value of the asset should be accounted for as a revenue or expense in the statement of operations in accordance with PSAB Section 3150.
- iv. For the appropriate methods and authorization for the purpose of disposal of surplus or obsolete or written off materials and equipment, refer to the Town of Taber's Procurement Policy and Procedure.

9) Residual Value:



Residual value will only be included in calculating amortization if residual value exceeds \$5,000.

10) Division of Assets

For the purposes of this policy, there are two approaches that will be used to define a capital asset:

- a. Network Approach – This approach views an asset as one unit even if the respective asset is comprised of a number of significant components.
- b. Component Approach – This approach identifies major, significant components of an asset. Each component with a unique historical cost, useful life or amortization method is recorded separately. The Town will use both approaches. Individual departments shall review with the Finance Department, the preferred method that best serves the departmental needs. In certain circumstances, it is appropriate to allocate the total disbursement of an asset to its component parts and account for each component separately. This is the case when the components have different useful lives or provide economic benefits or service potential to the entity in a different pattern, thus necessitating use of different amortization rates.

Additional factors that may influence the choice of method include:

- i. significance of amounts;
- ii. quantity of individual asset components (volume);
- iii. availability of information with respect to specific components;
- iv. specific information needs of management for decision-making and asset control purposes;

The Town will also segment its TCA's by geographic location to record its linear infrastructure. For example, roads and waterworks will be recorded and valued on a block-by-block basis.

11) Pooled or Grouped Assets

The unit value of an asset rather than the value of a group of similar assets will be the value used to determine if the TCA meets the threshold. For example, the total number of computers purchased in a year may be over the capitalization threshold, but the unit value of the computers would likely not meet the threshold and would therefore not be capitalized or amortized. Engineered Structures will be the exception to this statement as they will follow the Network Approach.

12) Work in Progress

- a. Work or construction projects in progress represent the costs incurred to date on a project in which the Town has not reached substantial completion, has not issued a Construction Completion Certificate (CCC's) or has not placed the asset into service.
- b. The costs incurred for assets under development or construction at the end of an accounting period will be capitalized and reported as assets on the financial statements but will not be amortized in the current accounting period. Once the asset has been completed (CCC's are issued) or the asset has been placed into service, the appropriate transfer will occur from work in progress to completed assets and amortization will commence in that period.



- c. For projects that have distinct, multiple, self-sustaining phases that will be brought into production or use at different points in time, professional judgment will be used to determine the timing of when the asset is transferred from work in progress to the asset register. The applicable department will consult with the Finance Department to make such determination. If an incomplete project is terminated or put on hold indefinitely, any costs currently recorded as work in progress will be expenses unless there is an alternative use for the asset.
- d. Work in progress balances will be reviewed, at a minimum, on an annual basis.

13) Special Situations

- a. Municipal Reserve Land – This will be valued at the time of subdivision registration.
- b. Annexation – Parcels of land being annexed will usually include existing infrastructure. In this case, the infrastructure will be valued at fair market value at the date of the annexation.
- c. Change in Status of a Municipality – If the Town of Taber changes status from a Town to a City, there will be no impact on valuation dates of currently held assets. However, if the Town inherits assets as a result of the change in status, then those assets will be valued at fair market value at the date of the Order in Council.
- d. Presentation and Disclosure

In total and for each major class of capital assets, the Town will disclose the following in accordance with CICA Public Sector Guideline 7 (PSG-7):

- i. cost at the beginning and end of the period;
- ii. additions in the period;
- iii. disposals in the period;
- iv. the amount of any write-downs in the period;
- v. the amount of amortization of the costs of TCA's for the period;
- vi. accumulated amortization at the beginning and end of the period;
- vii. net carrying value at the beginning and end of the period;

Also in accordance with PSG-7, other disclosures about TCA's will include:

- i. The amortization method used, including amortization period or rate for each major class of TCA;
- ii. The net book value of TCA's not being amortized because they are under construction or development or have been removed from service;
- iii. The nature and amount of contributed TCA's received in the period and recognized in the financial statements;
- iv. The nature and use of TCA's disclosed at nominal value;
- v. The nature of the works of art and historical treasures held by government;
- vi. The method used to determine the cost of each major class of TCA;
- vii. The amount of interest included in the cost in the period.



14) Responsibilities

The Director of Finance shall be responsible for the development, approval, implementation, training, monitoring and evaluation of the effectiveness and initiation of amendments to this procedure.



CHIEF ADMINISTRATIVE OFFICER

Acting CAO.

March 25, 2020

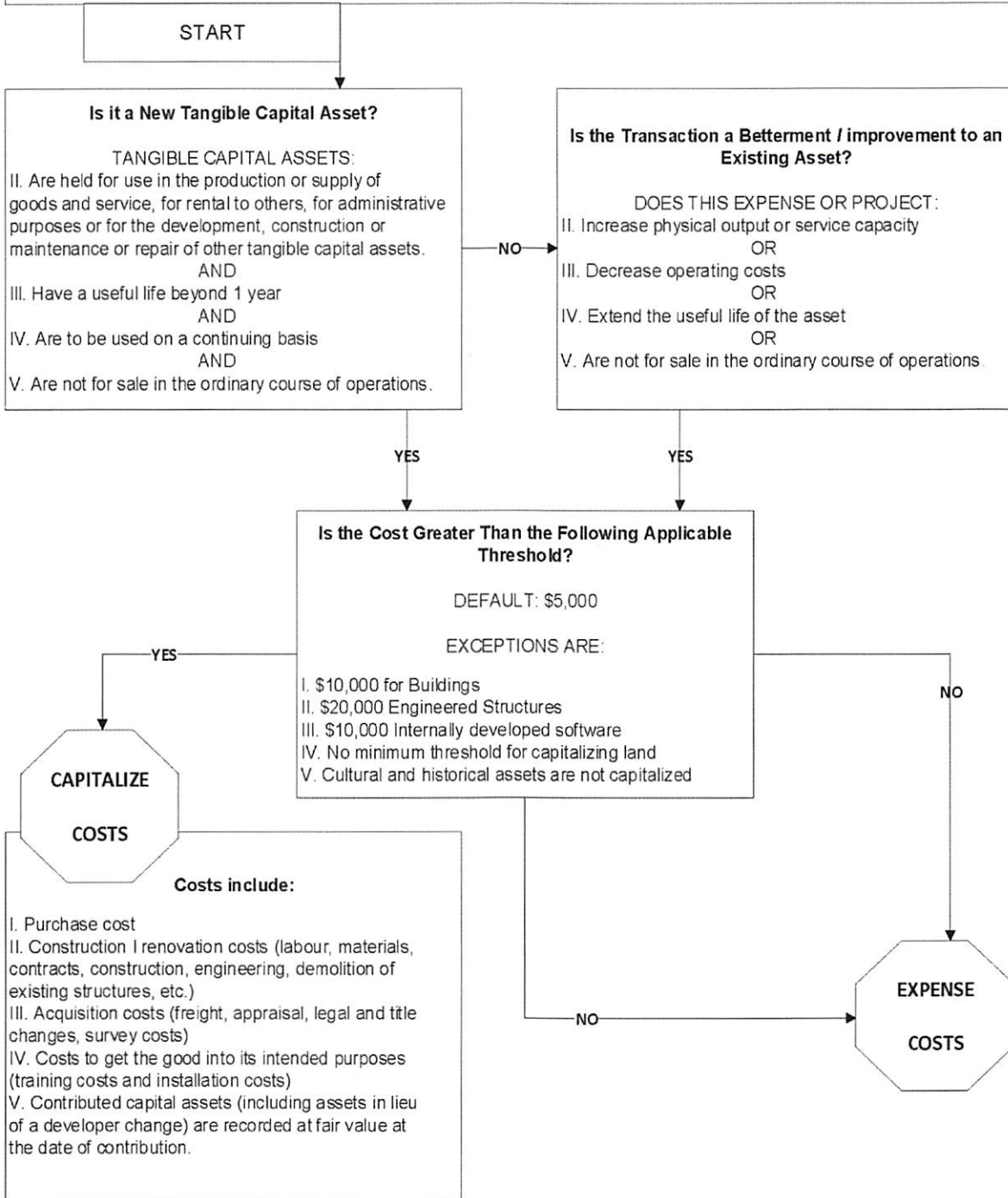
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SECTION: CORPORATE SERVICES- FINANCIAL

TANGIBLE CAPITAL ASSET GUIDELINE

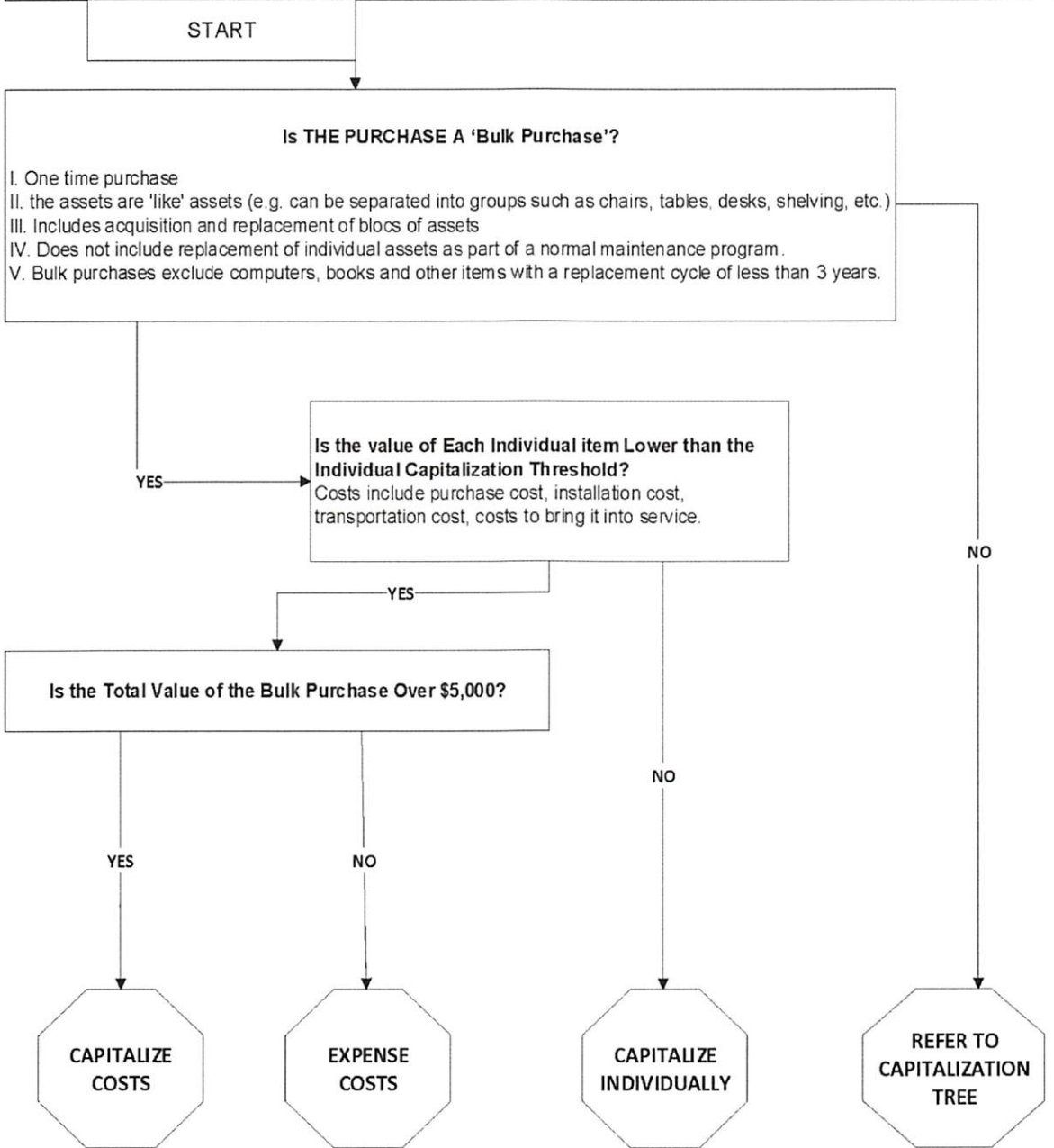
**APPENDIX 1
CAPITALIZATION DECISION TREE**



SECTION: CORPORATE SERVICES- FINANCIAL

TANGIBLE CAPITAL
ASSET GUIDELINE

APPENDIX 2
BULK PURCHASES DECISION TREE
(ONE TIME PURCHASE OF MULTIPLE LIKE ASSETS)



Appendix 3

Estimated Maximum Useful Life – Use of Straight Line Amortization Method

Engineered Structures (610):

Roads and Streets:

| | |
|---------------------------------|----|
| Laneway (unimproved) | 40 |
| Municipal Urban Arterial (7.5m) | 40 |
| Municipal Urban Local (6m) | 40 |

Water System:

| | |
|----------------------------------|----|
| Pump, Lift and Transfer Stations | 45 |
| Plants and facilities: | |
| Reservoirs | 45 |
| Structures | 45 |
| Treatment | |
| Equipment: | |
| Mechanical | 45 |
| Electrical | 45 |
| General | 45 |
| Pumping Equipment | 45 |
| Distribution System: | |
| Mains | 75 |
| Services | 75 |
| Hydrants | 75 |
| Booster Stations | 45 |

Wastewater System:

| | |
|----------------------------------|----|
| Collection System | |
| Mains | 75 |
| Services | 75 |
| Pump, Lift and Transfer Stations | 45 |
| Plants and Facilities: | |
| Structures | 45 |
| Treatment | |
| Equipment: | |
| Mechanical | 45 |
| Electrical | 45 |
| General | 45 |
| Irrigation System | 25 |

Storm System:



| | |
|----------------------------------|----|
| Collection System: | |
| Mains | 75 |
| Services | 75 |
| Pump, Lift and Transfer Stations | 45 |
| Catch Basins | 75 |
| Outfalls | 75 |
| Retention Ponds | 75 |
| Treatment Facility | 45 |

Buildings (620):

Permanent Structure:

| | |
|------------|----|
| Concrete | 75 |
| Masonry | 50 |
| Metal | 50 |
| Wood Frame | 50 |

Portable Structure:

| | |
|------------|----|
| Metal | 25 |
| Wood Frame | 25 |

Leasehold Improvements:

25

Machinery, Equipment, and Furnishings (650):

Office, Furniture and Equipment:

| | |
|-----------------------------|----|
| Photocopiers | 5 |
| Office and Mailing | 8 |
| Janitorial | 8 |
| Audiovisual | 10 |
| Kitchen | 15 |
| Furniture and Work Stations | 20 |
| Storage and Shelving | 25 |
| Musical Instruments | 30 |

Computer Systems:

| | |
|-----------------------------|---|
| Hardware: | |
| PCs, Monitors, and Printers | 4 |
| Laptops | 4 |
| Servers | 4 |
| Software | 8 |

Communication Systems:

| | |
|------------------|----|
| Dispatch and AVL | 8 |
| Radios | 10 |
| Telephone | 15 |



| | |
|--|-------|
| Police Special Equipment | 10 |
| Fire Equipment | 12 |
| Ambulance Equipment: | |
| Cardiac Monitor/ Defibrillator | 6 |
| EMT Equipment | 10 |
| Roads, Walks, and Turf Equipment: | |
| Mowers | 5 |
| Line Painting | 8 |
| Turf Maintenance | 10 |
| Street and Walk Cleaning | 10 |
| Trailers | 15 |
| Pumps | 20 |
| Light Tools and Equipment: | 15 |
| Heavy Construction Equipment | 20 |
| Water Meters | 40 |
| Bins | 15 |
| Scale | 15 |
| Arena Equipment: | |
| Ice Resurfacers | 10 |
| General/ Ice Edger | 15 |
| Swimming Pool Equipment | 15 |
| <u>Vehicles (660):</u> | |
| Emergency Response | 4 |
| Ambulance | 6 |
| Transit | 10 |
| Light Duty (Up to ¾ Ton) | 10 |
| Medium Duty (1 Ton up to 3 Ton) | 10-15 |
| Heavy Duty (Over 3 Ton) | 15-20 |



| | |
|---|----|
| Fire Trucks | 25 |
| <u>Land Improvements (630):</u> | |
| Courts (Asphalt/Concrete): | |
| Basketball | 25 |
| Skateboard | 25 |
| Tennis | 25 |
| Track | 25 |
| Sportsfield (grass): | |
| Ball Diamond | 25 |
| Football | 25 |
| Soccer Pitches | 25 |
| Golf | 45 |
| Fences | 25 |
| Fountains | 25 |
| Irrigation | 25 |
| Lakes/Ponds | 25 |
| Landfill | 25 |
| Landscaping | 25 |
| Parking Lot/ Sidewalks: | |
| Asphalt | 25 |
| Concrete | 25 |
| Gravel | 15 |
| Playgrounds | 25 |
| Retaining Walls | 25 |
| Scoreboards | 25 |
| Trails | 25 |
| <u>Land (640):</u> | |
| Farmland | |
| MSR – Restricted (660 if separate disclosure required) | |



Right of Way
Undeveloped Right of Way
Parks
General

