

COUNTY OF ST. PAUL #19

Title

Tangible Capital Assets

Policy Number

ADM-57

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Date Approved

Policy Statement

The County of St. Paul No. 19 (the County) will record its investment in property, plant and equipment and the cost of using these assets to deliver programs and provide services. The Canadian Institute of Chartered Accountants has prescribed in the Public Sector Accounting Handbook Section 3150 – Tangible Capital Assets the requirements local governments must follow to account for and report these assets during their useful life. The County will adhere to these requirements and the purpose of this policy is to provide information, processes and procedures for the recording, amortizing and tracking of tangible capital assets in a consistent manner in accordance with PS 3150. All departments and organizations that are reported in the financial statements of the County will be subject to this policy.

Procedure

01 Definitions

01.01 Tangible Capital Asset (TCA)

TCAs are non-financial assets having physical substance that:

- a) 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 TCAs;
- b) have useful economic lives extending beyond an accounting period;
- c) are to be used on a continuing basis; and
- d) are not for sale in the ordinary course of operations.

Also included are roads and bridges regardless of the fact that title to rural roads is vested in the Crown.

01.02 Capitalization Threshold

The capitalization threshold is the minimum value of an expenditure that meets the criteria of a TCA and that will be recorded as a TCA.

01.03 Fair Value

Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

01.04 Residual Value

Residual value is the estimated net realizable value of a TCA at the end of its useful life.

01.05 Useful Life

The useful life for a particular TCA will be the shortest of the asset's physical, technological, municipal or legal life.

01.06 Capital Lease

A capital lease is a lease with contractual terms that transfers substantially all the benefits and risks inherent in ownership of property to the County. To meet these terms, one or more of the following conditions must be met:

- a) there is reasonable assurance that the County will obtain ownership of the leased property by the end of the lease term;
- b) the lease term is of such a duration that the County will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span;
- c) the lessor will be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement.

01.07 Betterments

Betterments are subsequent expenditures on a TCA that:

- a) increase the previously assessed physical output or service capacity;
- b) lower associated operating costs;
- c) are to be used on a continuing basis; or
- d) improve the quality of the output.

01.08 Grouped or Pooled Assets

Assets that are homogenous in terms of their physical characteristics, usage and useful lives and have an individual unit value below the capitalization threshold but as a group are material in value.

01.09 Contributed Assets

Contributed assets are assets that have been transferred or donated to the County by another entity. These assets provide a future economic benefit controlled by the County.

02 Responsibilities

02.01 It is the responsibility of the Chief Administrative Officer (CAO) to ensure that this policy is followed.

02.02 The Assistant County Administrator shall be responsible for the development, implementation and ongoing maintenance of all aspects of the accounting treatment for TCAs.

02.03 The department head of each applicable department shall be responsible for the management of the condition, use and performance of County assets.

02.04 The purchase and disposal of TCAs will be the responsibility of each department head.

- 02.05 Each department having physical control of TCAs will be responsible to advise the Assistant County Administrator of assets to be disposed and advising the Assistant County Administrator of assets no longer in service.
- 02.06 The CAO has the authority to amend Appendix A – Useful Lives when changes are required.
- 02.07 The Assistant County Administrator will be responsible to establish and monitor the processes to annually verify the actual existence of the TCAs recorded and, on a rotating basis, review the remaining useful life of the recorded assets.

03 General

- 03.01 **Implementation and Effective Date of Policy**
All of the TCAs of the County will be recorded and amortized in accordance with this policy and will be reported in the financial statements for the 2009 fiscal year. TCAs existing prior to January 1, 2009 will be inventoried and valued with the accumulated amortization calculated. An implementation plan will be developed for this process. Valuation decisions will be required that may reflect an estimated cost in the absence of historical cost information; these decisions will meet the transitional provisions stated in PS 3150. The valuation date for existing TCAs will be the later of the in-service date or 1945 (April 1, 1945).

Effective January 1, 2009 the accounting treatment for TCAs will be incorporated into the County's normal business practices.

- 03.02 **Tangible Capital Asset Classification**
TCAs will be recorded in major, minor and subsidiary classes. The major asset classes and minor asset classes for Engineered Structures as prescribed by Alberta Municipal Affairs will be used and are defined as follows:
- a) **Land**
Land includes land purchased 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.
 - 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 and recreation facilities intended to shelter persons and/or goods, machinery and/or equipment and working space.
 - d) **Engineered Structures**

Permanent structural works such as roads, bridges, canals, dams, water and sewer, and utility distribution systems, including plants. Buildings and machinery and equipment used in conjunction with and unique to water systems, wastewater systems and storm water systems will be considered engineered structures and will be included in a subclass for the minor classes of water, wastewater and storm water.

- i. Roadway system
Assets intended for the direct purpose of vehicle or pedestrian travel or to aid in vehicle or pedestrian travel. Includes roads, bridges, overpasses, ramps, parkades, lights, sidewalks and signage.
 - ii. 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 treatment of safe potable water. It may also be comprised of assets required to distribute non-potable water. Includes mains, services, pump and lift stations, plants and equipment, reservoirs and fire hydrants.
 - iii. Wastewater system
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 a 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. Includes mains, services, pump and lift stations, plants and equipment and lagoons.
 - iv. 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. Includes mains, services, catch basins, pump and lift stations, outfalls and retention ponds.
- e) Machinery and Equipment
Equipment that is heavy equipment for constructing infrastructure, smaller equipment in buildings and offices, furnishings, ~~computer hardware and software~~ **Computer hardware and software is not capitalized as it is upgraded annually.** 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

Works of art and historical treasures that have cultural, aesthetic or historical value that are worth preserving perpetually. Buildings declared as heritage sites may be included in this asset classification if they are not used for providing an essential municipal service.

03.03 Recording Tangible Capital Assets

a) The following costs will be considered in determining the amount of the TCA to be recorded:

- i. Actual cash outlay, net of discounts or rebates. Direct costs for personnel and materials will be included. General administrative overhead will not be included as part of the TCA cost.
- ii. Interest costs
- iii. Non-refundable taxes and duties
- iv. Freight and delivery charges
- v. Installation and site preparation costs
- vi. Related legal fees
- vii. Land registration fees and transfer taxes
- viii. Pollution mitigation
- ix. Demolition costs for assets required to be removed
- x. Land improvements
- xi. Construction management, architectural and other professional fees necessary for the acquisition or construction of the asset
- xii. Internal costs related to design, inspection and administration
- xiii. Internal costs related to computer software development.

b) Capitalization of interest costs

- i. Where there is a substantial period of time between when costs are incurred and assets are put into service, interest related thereto will be included as part of the TCA cost.
- ii. Interest capitalization will cease once the asset is placed into service.
- iii. Internal borrowings will be treated in the same manner as external borrowings for the purpose of determining related interest costs and corresponding capitalization amounts.

c) Ancillary costs

Planning and design expenditures will be capitalized as part of the cost of a TCA if the project otherwise qualifies and the project is constructed. Costs related to abandoned projects will be recorded as operating expenses in the period when the decision to abandon is made. Initial testing costs will be included as part of the TCA cost in the period incurred.

d) Capital leases

Assuming the net present value of the lease is equal to or exceeds the respective capitalization threshold for the specific TCA, the lease will be

recorded in accordance with current accounting standards subject to the criteria stated in Section 01 Definitions.

e) Contributed TCAs

- i. Contributed assets will be recorded when the County is responsible to control and manage the assets.
- ii. Contributed assets will be recorded at the fair value of the entire asset.
- iii. Fair value may be estimated using market or appraisal value. Replacement cost may also be used recognizing that if any of the useful life has been used, this will need to be considered when calculating the fair value.
- iv. Municipal reserve lands will be valued at the time of the subdivision approval.
- v. The time of acquisition in the case of subdivision developments will be the time at which the 'final acceptance certificate' is issued.

f) Capitalization threshold

Expenditures that meet both the definition of a TCA and are equal to or exceed the following capitalization threshold will be recorded:

Land	No threshold
Land Improvements	\$5,000
Buildings	\$50,000
Engineered Structures	\$50,000
Machinery and Equipment	\$5,000
Vehicles	\$5,000
Cultural and Historical	No threshold

g) Grouping and pooling

- i. Assets to be considered for grouping are items individually below the capitalization threshold but material as a group.
- ii. To qualify for capitalization consideration, the items must be homogenous in terms of their physical characteristics, usage and useful lives.
- iii. Assets which will be grouped are:
 - Waste bins by size
 - Street lights
 - Undeveloped road allowances by township
 - Sidewalks by hamlet
- iv. Additional items to consider for possible capitalization may include one-time bulk purchases and portable or attractive items. In some instances, it may be appropriate to record these assets in the asset register for management or control purposes. Capitalizing one-time bulk purchases will be considered where furnishings are acquired for a newly constructed or purchased building.

- h) All communication towers will be recorded individually irrespective of their unit cost.
- i) The residual value will only be recorded if it is estimated to be \$5,000 or greater.
- j) TCAs not completed at the end of the fiscal year
TCA construction projects not completed at the end of the fiscal year will be classified as 'construction in progress' in their respective asset classification and will not be amortized until they have been completed and put in service.
- k) Networks, segments and components
Linear infrastructure may be recorded in large or small segments depending on the similarities of the infrastructure. Engineered structures and buildings may include components with useful lives considerably different from the main structure. Appendix B provides information on how buildings and engineered structure minor asset classifications will be recorded.
- l) Betterment and maintenance
Expenditures which do not meet the definition of 'betterment' will be treated as maintenance expenses and expensed in the period incurred. Replacement of a component of an asset that is recorded separately as the component being replaced will be treated as a 'betterment'.

03.04 Amortizing Tangible Capital Assets

- a) The useful lives to be used are provided for each type of TCA in Appendix A.
- b) The municipal useful life will be used even if it is deemed to be considerably less than the normal physical useful life.
- c) The straight line method of recording amortization will be used for most TCAs.
- d) Other methods of amortization may be used to better reflect the cost of using the asset by the County.
- e) Amortization will be recorded at 50% of the annual amortization in the year of acquisition or in the year the asset is put into service and no depreciation in the year of disposal.
- f) Group assets are amortized using a composite amortization rate based on the average useful life of the assets in a group. The average value and average age will be adjusted each time assets are added, removed or replaced in the group.
- g) Land will not be amortized.

03.05 Tangible Capital Asset Review, Write-downs and Disposals

- a) The existence of the recorded TCAs will be annually verified.

- b) The appropriateness of the estimated useful lives being used to amortize TCAs and appropriateness of the capitalization thresholds being used to record TCAs will be reviewed on a tri-annual basis.
- c) The remaining useful life of the recorded TCAs will be reviewed every three years. This review will be done on a rotating basis.
- d) An asset is considered to be impaired in value when it no longer contributes to the provision of goods and services, when it is no longer going to be used in its current capacity and there is no alternative use for the asset, or when the value of the future economic benefits are less than the asset's net book value. In the event that an asset is permanently impaired and should be written down, the asset will be reviewed again the following year. If there is persuasive evidence that the change in condition is permanent, the asset will be written down to the greater of the estimated reduced value or the residual value.
- e) The disposal of TCAs by sale, destruction, loss or abandonment is to be recorded in the year of the disposal.

03.06 Managing the Tangible Capital Asset Register

The Tangible Capital Asset Register will be an integral part of the County financial system with TCA additions, deletions and amortization interfaced with the related modules for effective and efficient asset register maintenance with accurate and timely financial reporting. The Assistant County Administrator will ensure that the necessary systems are in place and updated to achieve these requirements.

Appendix A – Useful Life

Major

Minor

Sub Class 1

Sub Class 2

Sub Class 3

Sub Class 4

Useful Life (years)

Land

General

Fee simple lots

Municipal reserve

School/municipal reserve

Environmental reserve

Parks

Road Allowances

Developed

Undeveloped

Land Improvements

Parking lot

Gravel 15

Asphalt 25

Landscaping 25

Playgrounds

Structures 15

Spray Park 25

Transfer stations 25

Fences 20

Outdoor lighting 20

Construction in progress

Buildings

Permanent

Frame 50

Metal 50

Concrete 50

Portable 25

Construction in Progress

Engineered Structures

Roadway system	
Bridges	Variable
Roads & Streets	
Hard Surface	
Subgrade	40
Surface	
Pavement	20
Oil	5
Gravel	40
Lights	
Street	30
Sidewalks	30
Construction in progress	
Subdivision	75
Development	
Water System	
Distribution system	75
Water treatment plant	45
Pump station	45
Well	30
Construction in progress	
Wastewater system	
Collection system	75
Lift station	45
Lagoon	45
Construction in progress	
Communication tower	40

Machinery & Equipment

Heavy construction equipment	
Crawler tractor	15
Crusher	15
Loader	15
Motorgrader	15
Motorscraper	15
Mower	15
Packer	15
Pulvi mixer	15
Tractor	15
Fire equipment	10
Agriculture equipment	10

Trailer	15
Waste bins (Pooled)	
3 yard	15
4 yard	15
6 yard	15
8 yard	15
30 yard	15
40 yard	15
Shop equipment	15
Turf equipment	10
Office furniture & equipment	
Furniture	20
Office equipment	
Audiovisual	10
Photocopiers	5
Computer systems remove	
Hardware	5
Software	10
Construction in progress	

Vehicles

Passenger	10
Light duty trucks	10
Medium duty trucks	10
Heavy duty trucks	
Gravel truck	10
Attachments	
Sander	10
Snow plow	10
Fire trucks	25
Construction in progress	

Culture & Historical

Public art or sculpture	
Historical artifact	
Heritage site	

Appendix B – Networks, Segments and Components

Buildings

Existing buildings will be recorded initially as a single asset to meet PS 3150 requirements. These existing buildings may be recorded in components at a later date. New buildings will be recorded in components when they are recorded in the asset register at the time the building is placed into service. The components of a building will be:

- Structure
All load bearing elements of the building above or below the ground floor slab including but not limited to the walls, beams, stairs, floors and foundations.
- Roof
The covering on the uppermost part of a building that protects the building and its contents from the effects of weather.
- Architectural
All non-load bearing elements of the building above or below the ground floor slab including but not limited to walls, partitions, windows, doors, stairs, finishes and fittings.
- Conveyance
Comprised of the elevator, lift, escalator and moving walks systems including controls.
- Electrical
All the wiring, lighting fixtures, electrical conduit, cables, circuits, switches, and controls within the perimeter of the building that provide power for all electrical apparatuses and lighting instruments.
- Mechanical
Consists of all plumbing, heating, cooling and ventilation systems. System elements include all piping, drains, fixtures and associated equipment within the perimeter of the building used for moving domestic water, other fluid gases, compressed air or sewage as well as chillers, condensers, exhaust fans and coil units, heating strips, chilled/heating water supply and return piping, air ducts, registers, climate control panels and all circuitry connected to the power supply panel.

Roadway System

1. Roads will be pooled in each township by the following surface types:
 - a. Pavement
 - b. Oil
 - c. Gravel
2. Roads which are reconstructed in the future may be removed from the respective pool and recorded as a separate asset within the township.
3. Gravel roads will not be recorded in components but as a single asset.
4. Hard surface roads will be recorded in two components; sub-grade and surface. Surface is defined as the top wearing layer that comes in contact with traffic and may be composed of one or several layers of hot mix asphalt or oil.
5. Roads in hamlets and multi-lot subdivisions will be recorded as a network asset by hamlet or subdivision.
6. Street lights will be pooled into one asset for the entire County.
7. Sidewalks will be pooled by each hamlet.
8. Culverts and road signs will be included with the road asset.

Water System

There are separate water distribution systems in the County; each water distribution system will be recorded as a single asset. Each water well, water treatment plant and treated water distribution pump station will be recorded separately in the Engineered Structures major asset class as a single asset including the buildings required for these assets. The underground vaults housing pumps, etc. will be recorded in Engineered Structures.

Wastewater System

There are separate waste water collection systems in the County; each waste water collection system will be recorded as a single asset. Each lift station and lagoon will be recorded separately in the Engineered Structures major asset class as a single asset including the buildings required for these assets.

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