



TOWN OF PINCHER CREEK POLICY



Approved by: Council	Date: October 9, 2007	Policy Number: 152-16
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Title: TANGIBLE CAPITAL ASSETS – Classification/Capitalization Threshold/Amortization		

Policy Statement

It is the policy of the Town of Pincher Creek to record and report tangible capital assets controlled by the Town in the annual financial statements.

Tangible capital assets will be recorded in accordance with generally accepted accounting principles as pronounced by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Policy Objective

The objective of this policy is to ensure that the Town's investment in tangible capital assets:

- is recorded and reported appropriately, accurately and consistently;
- provides an accurate accounting of the use and investment in tangible capital assets;
- provides management with meaningful data upon which informed decisions can be made; and
- facilitates conformance with public sector generally accepted accounting principles, for tangible capital assets, specifically PSAB 3150.

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

1. General

- 1.1 Tangible Capital Assets are non-financial assets having physical substance that:
- are held for use in the production or supply of goods and services
 - are used on a continuous basis by the Town
 - have useful economic lives extending beyond one year

➤ are not for resale in the ordinary course of operations

1.2 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.

1.3 Categorization of Assets

There are three options available when recording assets such as engineered structures and systems.

- a. Network Approach (also referred to as total asset approach) – this approach views an asset as one unit even if the 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.
- c. Segment Approach – Linear systems may be divided into segments or sections. These segments are generally determined by geographical location.

Land Improvements (excluding pathways) and bridges will be recorded using the Network (total asset) Approach.

Buildings, Water Systems and Wastewater Systems will be recorded using the Component Approach.

Stormwater Collection Systems, Wastewater Collection Systems, Water Distribution Systems, Roads, Roadway Systems and Land Improvements – Pathways will be recorded using the Segment Approach.

1.4 Cost

Tangible Capital Assets are recorded at historical cost and are recognized as assets on the Town's Statement of Financial Position on date of receipt for capital goods or in the case of capital projects when the asset is ready for productive use. Cost, as defined in PSAB 3150, is the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset, and includes all costs directly attributable to acquisition,

construction, development or betterment of the tangible capital asset, including installing the asset at the location and in the condition necessary for its intended use. The cost of a contributed tangible capital asset, including a TCA in lieu of a developer charge, is considered to be equal to its fair value at the date of contribution.

1.5 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 residual value of an asset is the estimated net realizable value of a tangible capital asset at the end of its useful life to a government. 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.

1.6 Scope:

This policy addresses the following:

- Asset classifications (major & minor)
- Capitalization threshold for each asset classification
 - Thresholds are determined for each major asset categorization and determine whether expenditures are to be capitalized as assets and depreciated or treated as a current year expense.
 - Expenditures that meet both the criteria of a TCA as in 1.1 and 1.2 above and exceed the following suggested capitalization thresholds are to be recorded as a TCA on the Statement of Financial position and amortized.
- Useful Life and Amortization method to be used
 - Appendix A shows the maximum expected life for all major TCAs which will be used as the amortization period. For all TCAs the straight-line method of amortization will be used which assumes that the asset's economic usefulness is the same each year. The amortization amount is determined by dividing the asset's original cost by its estimated useful life in years. In the year an asset is acquired or put into service and the year of disposal, the amortization will be prorated based on the acquisition or disposal date.
- Review schedule

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		\$ 5,000.	Straight Line	Every 3 years
Buildings		\$25,000.	Straight Line	Every 5 years
Engineered Structures	Roadway System	\$25,000.	Straight Line	Every 5 years
	Water System	\$25,000.	Straight Line	Every 5 years
	Wastewater System	\$25,000.	Straight Line	Every 5 years
	Storm System	\$25,000.	Straight Line	Every 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

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

2 Responsibilities

2.1 The Manager of Legislative Services, Director of Community Services and the Director of Operations are all responsible for purchasing tangible capital assets as defined in this policy. Each Director is responsible to inform the Director of Finance and Human Resources when such assets are acquired.

2.2 The Director of Finance and Human Resources is responsible for:

- Recording all assets purchased
- Tracking these assets in future years
- Following the capitalization threshold for each asset classification as indicated in the above table
- Reviewing the schedule every 3 to 5 years as indicated

4. End of Policy

**APPENDIX A:
RECOMMENDED MAXIMUM USEFUL LIFE**

<p>Asset Classes</p> <p>Major Minor Sub-class One Sub-class Two Sub-class Three</p>	<p>Maximum Useful Life (years)</p>
<p>Land</p> <p><i>Right-of-way</i></p> <p><i>Undeveloped right-of-way</i></p> <p><i>Parks</i></p> <p><i>General</i></p>	
<p>Cultural & Historical Assets</p> <p><i>Public art</i></p> <p><i>Historical</i></p> <p><i>Heritage site</i></p>	
<p>Land Improvements</p> <p><i>Parking lot</i></p> <p>Gravel</p> <p>Asphalt</p> <p><i>Playground structures</i></p> <p><i>Landscaping</i></p> <p><i>Fences</i></p> <p><i>Sprinkler systems</i></p> <p><i>Golf courses</i></p> <p><i>Tennis courts</i></p> <p><i>Fountains</i></p> <p><i>Lakes/ponds</i></p> <p><i>Retaining walls</i></p> <p><i>Running tracks</i></p> <p><i>Outdoor lighting</i></p> <p><i>Airport runways</i></p> <p><i>Soccer pitch - outdoor</i></p> <p><i>Bike/jogging Paths</i></p> <p>Gravel</p> <p>Asphalt</p> <p><i>Landfill</i></p> <p>Pits</p> <p>Pads</p> <p>Transfer stations</p> <p><i>Construction in progress</i></p>	<p></p> <p>15</p> <p>25</p> <p>15</p> <p>25</p> <p>20</p> <p>25</p> <p>45</p> <p>20</p> <p>20</p> <p>25</p> <p>20</p> <p>15</p> <p>20</p> <p>10</p> <p>20</p> <p>15</p> <p>25</p> <p>25</p> <p>Volume</p> <p>Volume</p> <p>25</p>
<p>Buildings</p> <p><i>Permanent Structures</i></p> <p>Frame</p> <p>Metal</p> <p>Concrete</p> <p><i>Portable Structures</i></p> <p>Metal</p> <p>Frame</p> <p><i>Leasehold improvements</i></p> <p><i>Construction in progress</i></p>	<p></p> <p>50</p> <p>50</p> <p>50</p> <p></p> <p>25</p> <p>25</p> <p>Variable</p>

Asset Classes	Maximum Useful Life (years)
Major	
Minor	
Sub-class One	
Sub-class Two	
Sub-class Three	
Machinery and Equipment	Variable
<i>Heavy construction equipment</i>	25
<i>Stores</i>	10
<i>Food services</i>	12
<i>Fire equipment</i>	10
<i>Police special equipment</i>	Variable
<i>Aircraft</i>	25
<i>Boats</i>	10
<i>Fitness and wellness</i>	5
<i>Control systems</i>	20
Communication links	10
SCADA system	15
<i>Fuelling stations</i>	10
<i>Laboratory</i>	10
<i>Communications</i>	10
Radios	10
Telephone systems	15
<i>Tools, shop and garage equipment</i>	15
<i>Scales</i>	15
<i>Bins</i>	20
<i>Meters</i>	20
Electrical	20
Cumulative	20
Interval	20
Gas	40
Water	20
Parking meters and splitters	10
<i>Turf equipment</i>	10
<i>Ice re-surfacer</i>	20
 <i>Office Furniture & Equipment</i>	 10
<i>Furniture</i>	10
<i>Office equipment</i>	5
Audiovisual	5
Photocopiers	5
<i>Computer Systems</i>	5
Hardware	10
Software	10
<i>Construction in progress</i>	
Vehicles	
<i>Light duty</i>	10
<i>Medium duty</i>	10
<i>Heavy duty</i>	10
<i>Transit buses</i>	20
<i>Fire trucks</i>	25
<i>Light rail transit cars</i>	40
<i>Construction in progress</i>	

Major Minor Sub-class One Sub-class Two Sub-class Three	Asset Classes Maximum Useful Life (years)
Engineered Structures Roadway system Bridges Overpass/interchange Curb & gutter Parkades Roads & streets <i>Lanes/alleys</i> ACP - hot mix Gravel Nonconforming <i>Local/Collector/Arterial/Major Arterial Surface</i> Concrete ACP - hot mix ACP - cold mix Chip seal Oil Gravel <i>Subsurface</i> Road signs <i>Traffic control</i> <i>Information</i> Lights <i>Decorative</i> <i>Street</i> <i>Traffic</i> Guard rails Ramps Sidewalks & para-ramps Light rail system Construction in progress (* subject to weather conditions)	Variable 60 30 50 20* 15* 20* 30* 20* 10* 10* 5* 25* 40* 30 30 30 30 30 30 30 30 65
Water system Distribution system <i>Mains</i> <i>Services</i> Pump, lift and transfer stations Plants and facilities <i>Structures</i> <i>Treatment equipment</i> Mechanical Electrical General <i>Pumping equipment</i> Hydrants/fire protection Reservoirs Construction in progress	75 75 45 45 45 45 45 45 75 45

Asset Classes		Maximum Useful Life (years)
Major	Minor	
	Sub-class One	
	Sub-class Two	
	Sub-class Three	
	Wastewatersystem	
	Collection system	
	<i>Mains</i>	75
	<i>Services</i>	75
	Pump, lift and transfer stations	45
	Plants and facilities	
	<i>Structures</i>	45
	<i>Treatment equipment</i>	
	Mechanical	45
	Electrical	45
	General	45
	<i>Pumping equipment</i>	45
	Lagoons	45
	Construction in progress	
	Storm system	
	Collection system	
	<i>Mains</i>	75
	<i>Services</i>	75
	Pump, lift and transfer stations	45
	Catch basins	75
	Outfalls	75
	Wetlands	75
	Retention ponds	75
	Treatment facility	45
	Construction in progress	