

Village of Barnwell

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

Policy: 02-08

Department: All

Responsibility: CAO

Approved by

Council: Date: November 20, 2008 Resolution #189/08

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.

Amortization:

The cost, less any residual value of a TCA with a limited life should be amortized over its useful life (See Appendix A) 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
- 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		\$10,000.	Straight Line	Every 5 years
Engineered Structures	Roadway System	\$10,000.	Straight Line	Every 5 years
	Water System	\$10,000.	Straight Line	Every 5 years
	Wastewater System	\$10,000.	Straight Line	Every 5 years
	Storm System	\$10,000.	Straight Line	Every 5 years
Machinery & Equipment		\$ 2,000.	Straight Line	Every 3 years
Vehicles		\$ 2,000.	Straight Line	Every 3 years
Cultural & Historical		N/A	N/A	N/A

**Where the above table can not 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 Public Works foreman 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 Current Village of Barnwell Financial Accounting software re:Tangible Capital Assets module.

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 \$1,000, 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.

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.

	Date	Resolution #
Approved	<i>NW-20108</i>	<i>189108</i>
Amended		
Amended		



 MAYOR



 ADMINISTRATOR

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

Major	Asset Classes		Maximum Useful Life
	Minor	Sub-class One Sub-class Two Sub-class Three	
		Wastewater system	
		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	
		Fibre optics	30
		Electrical System	
		Electrical generation	
		<i>Boilers</i>	30
		<i>Turbo generators</i>	30
		<i>Combustion turbines</i>	20
		<i>Condensate tanks</i>	10
		<i>Gas compressors</i>	20
		<i>Other</i>	10
		<i>Generation Wind/Turbine</i>	30
		<i>Construction in progress</i>	
		Electrical Transmission	
		<i>Structures & improvements</i>	35
		<i>Station & line equipment</i>	
		Transformers	40
		Switchgear	35
		Protection systems	20
		Insulators	60
		Other structures & equipment	35
		<i>Towers and fixtures</i>	38
		<i>Poles and fixtures</i>	38

Major	Asset Classes			Maximum Useful Life
	Minor	Sub-class One		
		Sub-class Two		
		Sub-class Three		
		Overhead (O/H) conductors & devices	35	
		Underground (U/G) conductors & devices	40	
		U/G conduit	40	
		U/G cable	40	
		Construction in progress		
		Electrical Distribution		
		Site development	35	
		Station & line equipment		
		Transformers	40	
		Switchgear	35	
		Protection systems	20	
		Insulators	60	
		Towers and fixtures	38	
		Poles and fixtures	38	
		O/H conductors & devices	35	
		U/G conductors & devices	40	
		U/G conduit	40	
		Construction in progress		
		General Plant - Electrical		
		Site development	80	
		Electrical substations		
		Site development	35	
		Station & line equipment		
		Transformers	40	
		Switchgear	35	
		Protection systems	20	
		Other structures & equipment	35	
		Towers and fixtures	38	
		Poles and fixtures	38	
		O/H conductors & devices	35	
		U/G conductors & devices	40	
		U/G conduit	40	
		U/G cable	40	
		Construction in progress		
		Gas distribution system		
		Structures	75	
		Transmission	75	
		Services	75	
		Medium pressure	36	
		High pressure	36	
		Measurement	35	
		Construction in progress		

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