 <p>MUNICIPAL DISTRICT — of — <i>Peace</i> No. 135</p>	MUNICIPAL DISTRICT OF PEACE NO. 135		
PREPARED BY:	ADOPTED BY:	NUMBER:	ADM-19
REVISED BY:                    Barbara Johnson	COUNCIL	SUPERSEDES:	Page 1 of 4
TITLE: Tangible Capital Assets	DATE: Amended: March 10, 2020		

**PURPOSE OF THIS POLICY:**

To define and classify tangible capital assets as per Public Sector Accounting Board Handbook Section 3150, to prescribe the accounting treatment for tangible capital assets, to determine amortization methods and rates, and to set criteria for the disposal of tangible capital assets.


**POLICY STATEMENT:**

**A. Definition:**

1. Tangible capital assets are assets having physical substance that:
  - are used on a continuing basis in the M.D.'s operations,
  - have useful lives extending beyond one year, and
  - are not held for re-sale in the ordinary course of operations.
2. All tangible capital assets shall be budgeted, financed and reported as such in the financial records of the Municipality as of January 1, 2009.

**B. Capitalization & Valuation:**

1. Tangible capital assets will have a minimum threshold value of \$5,000., except for buildings and engineered structures, which will have a minimum threshold value of \$10,000. Assets that have a unit value below \$5,000. but have a material value as a group will be recorded as a single asset with one combined value. Each unit value may be recorded in the asset sub-ledger for monitoring and control of its use and maintenance.
2. Tangible capital assets shall be recorded at cost, including directly attributable acquisition/construction/development expenses. Assets shall be capitalized on the day the asset goes into service or the date ownership/control is transferred to the Municipality. Capital grants received are not netted against the cost of the related tangible capital asset.
3. A subsequent expenditure to an existing asset will be considered betterment (and thus added to the value of the asset) if the physical output or service capacity is increased, the operating costs are decreased, the useful life is extended, or the quality of output is improved. Otherwise, the expenditure will be considered to be maintenance or repairs and will be an operating expense.
4. The cost of a contributed tangible capital asset is its fair value at the date of the contribution. In unusual circumstances where the fair value cannot be reasonably be determined, the tangible capital asset is recorded at nominal value.

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TITLE: Tangible Capital Assets	DATE: Amended: March 10, 2020		

**C. Classification:**


1. Land - used for recreation, buildings, infrastructure and other program use, but not for resale
2. Land Improvements - improvements of a permanent nature (e.g. parking lots, paths, fences, gas, water, electrical services, streetlights, some playground structures)
3. Buildings - structures used for the operations of the Municipality
4. Engineered Structures - permanent structural works, including stationery equipment  
Minor Classifications of Engineered Structures: Roadway System, Water System, Wastewater System
5. Machinery & Equipment - all moveable equipment used in the operations of the Municipality
6. Vehicles - rolling equipment used mainly for transportation purposes including light, medium and heavy-duty pickup trucks and fire trucks.

**D. Componentization:**

1. Tangible capital assets may be accounted for using either the network, or component approach.
2. The network approach views an asset as one unit even if the respective asset is comprised of a number of significant components. This is the simplest form of recording assets.
3. The component approach identifies major, significant components of an asset. Each component, with a unique historical cost, useful life or amortization method is recorded separately.
  - Brownvale water & sewer mains have one combined historical cost.
  - Municipal roads and undeveloped road allowances will be valued at \$1. per mile, excepting where improvements have been recently made and costs are known.
  - Future road construction/improvement will be valued at actual cost/mile.

**E. Amortization:**

1. Amortization method will be straight-line, except for land which will be recorded at cost and not amortized. Amortization amount will be determined by dividing the asset's original cost by its maximum useful life.
2. Tangible capital assets shall be deemed to have no residual value for the purposes of calculating amortization. Any eventual recovery may be applied against the replacement purchase (trade-in) or recorded as a "gain on sale of asset" if disposed of by sale or auction.

	<b>MUNICIPAL DISTRICT OF PEACE NO. 135</b>	
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<b>TITLE: Tangible Capital Assets</b>	<b>DATE:</b> Amended: March 10, 2020	

3. Annual amortization expense shall be estimated and included in the annual budget of each respective operating unit, and shall be financed. The actual amortization expense shall be charged against the operating unit, and the funding provided to cover amortization shall be credited to a capital replacement account for the operating unit. This account shall be available to finance future replacements and betterments of tangible capital assets by the operating unit.
4. It is recognized that amortization based on historical cost will usually be insufficient to finance replacement or betterment of tangible capital assets, and that additional financing will likely be required for maintaining and sustaining the Municipality's tangible capital assets.
5. Amortization on capital assets in the year of acquisition or disposal will be recorded at 50% of the annual amortization amount.

**F. Maximum Useful Life:**

- Land - not applicable
- Land Improvements - 20 years, except for landfill pits, which are estimated by volume
  - Gas & Electrical - 60 years
  - Water Systems - 60 years
  - Grandstands - 30 years
  - Fences - 20 years
  - Lighting - 20 years
  - Playground Structures - 15 years (may be equipment depending on type)
- Buildings - 50 years
  - Portable Structures - 10 years
- Engineered Structures:
  - Roads
    - gravel - 40 years
    - cold mix - 10 years
    - hot mix - 20 years
  - Bridges - variable
  - Guard Rails - 30 years
  - Sidewalks - 30 years
  - Water System - 60 years (includes hydrants/mains/lines/wells)
  - Wastewater System - 60 years (includes mains/lines/lagoons)
  - Erosion Control Structures - 60 years



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<b>TITLE: Tangible Capital Assets</b>	<b>DATE:</b> Amended: March 10, 2020		

- **Machinery & Equipment:**

- Heavy Construction Equipment - Variable:
  - Graders - 6 yrs (or 7500 hrs)
  - Loaders/backhoes - 12 yrs (or 6000 hrs),
  - Trackhoe - 8 yrs (or 8,000 hrs)
  - Dozers - 12 yrs (or 6000 hrs)
- ASB tractors/mowers - 7 yrs (or 3500 hrs)
- Bobcats/quads - 8 yrs
- Trailers - 15 years
- Riding mowers (recreation) - 5 years
- Fire Equipment - 12 years
- Fueling Stations - 15 years
- Communications - 10 years (radios, telephones)
- Tools, Shop Equip. - 15 years
- Office Furniture - 20 years
- Audiovisual Equip. - 10 years
- Photocopiers - 5 years
- Computer hardware - 5 years
- Computer software - 10 years
- Playground Equipment - 10 years (may be land improve. depending on type)
- Vehicles:
  - Light, medium & heavy duty - 10 years
  - Fire Engines/Pumpers/Tenders/Tankers - 15 years

### **G. Disposal:**

1. All asset disposals shall be approved by Council. When an asset is disposed of either by sale, trade-in, donation, destruction, loss or obsolescence, the department manager shall be responsible to notify the C.A.O. in a timely manner to ensure amortization for the disposed item is stopped and the asset is taken out of service and removed from insurance policies. See also Policy ADM-28 Disposal and/or Replacement of Capital Equipment.

### **H. Maintaining Records:**

1. Once initial inventory of tangible capital assets is completed, records will be updated and maintained annually as purchases/disposals occur.