

POLICY #202C

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POLICY STATEMENT

The Town of Olds will recognize record and report on Tangible Capital Assets (TCA) and their betterments in accordance with the Public Sector Accounting Board (PSAB) 3150.

PURPOSE

This policy is to provide directions on recognizing, recording, valuing, and reporting on Tangible Capital Assets (TCA) on a consistent basis in accordance with the Public Sector Accounting Board (PSAB) Handbook Section 3150.

SCOPE

All tangible property owned by the Town of Olds, either through construction, purchase or donation, and which qualify as capital assets are addressed in this policy. **Tangible Capital Assets** are non-financial assets having physical substance that:

- are held for use by the municipality 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 tangible capital assets;
- have useful lives extending beyond a year and are intended to be used on a continuing basis; and
- are not intended for sale in the ordinary course of operations

This policy does not apply to intangible assets (trademarks, patents) natural resources, and Crown lands that have not been purchased by the Town. **Non-Tangible Capital Assets** are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- are normally employed to deliver government services;
- may be consumed in the normal course of operations; and
- are not for sale in the normal course of operations.

This policy will apply to all Town of Olds departments.

RESPONSIBILITIES

The Chief Administrative Officer (CAO) or designate(s) is responsible for administering this policy within the established standards.

Financial Services:

- Maintain a capital asset accounting system and processes for all tangible asset categories
- Ensure that all capitalization decisions are in accordance with legislative requirements
- Support all employees who are involved in the purchasing, acquisition, sale and maintenance of capital assets to ensure the upkeep of accurate records.

Department Managers:

- Ensure that their Capital Asset Listings are accurate and complete.
- Review, in conjunction with Financial Services, the estimate of useful life on a regular basis and revise when the appropriateness of a change can be clearly demonstrated.
- Review capital projects with Financial Services to determine any capitalization requirements.

Asset Classification, Aggregation & Segmentation

All tangible capital assets will be classified into Major, Minor and where necessary, Subclasses of assets.

1. **Major Classification** – A group of TCAs that are significantly different in design and use. The categories in the Major asset classifications are as follows:

Land includes land purchased and acquired for value for parks and recreation, building sites, infrastructure and other departments use but does not include land available for resale.

Land Improvements are improvements of a permanent nature to land such as parking lots, landscaping, lighting, pathways and fences.

Buildings are permanent, temporary or portable building structures, such as offices, garages, warehouses and recreation facilities intended to shelter people and/or goods, machinery, equipment and working space.

Engineered Structures are permanent structural works such as roads, bridges, canals, fibre optics, water/sewer/utility distribution and transmission systems, including plants and substations, and fibre optics.

Machinery and Equipment are heavy equipment for constructing infrastructure, smaller equipment in buildings and offices, furnishings, computer hardware/software. This class does not include stationary equipment used in the engineering structure class.

Vehicles include rolling stock that is primarily used for transportation purposes.

Cultural and Historical Assets include 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, but the existence of this property should be disclosed. Buildings declared as heritage sites may be included in this asset classification.

2. **Minor Classification** – A classification within a Major asset class that has unique characteristics. A listing of Minor Classifications can be found in Appendix A of this policy. Definitions of the Engineered Structures minor classes are as follows:

Road System Assets for the direct purpose or to aid in vehicle or pedestrian travel, including roads, bridges, overpasses, ramps, lights, sidewalks and signage.

Water 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 and fire hydrants.

Wastewater Systems are 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, catch basins, pump and lift stations, outfalls and retention ponds.

Storm Systems are assets used for the collection, storage and transfer of water as a result of rain, flood or other external sources to a natural water system. Includes mains, services, catch basins, pump and lift stations, outfalls and retention ponds.

3. **Subclass Classification** – A further classification that may be required due to unique TCA criteria, applications, methodologies, and asset lives. A listing of Subclass classifications can be found in Schedule A of this policy.

Capitalization Thresholds

Thresholds are determined for each major asset categorization and determine whether expenditures are to be capitalized as assets and depreciated or treated as current year expense.

Expenditures that meet both the criteria of a TCA and exceed the following capitalization thresholds are to be recorded as a TCA.

Asset Description	Threshold
Land	All land, excluding land for resale, is to be capitalized.
Land Improvements	\$5,000
Buildings	\$25,000
Engineered Structures	ALL
Machinery and Equipment	\$5,000
Vehicles	\$5,000

Acquisition and Valuation

TCAs are recorded at historical cost. When the actual historical cost of an asset is not known, calculation may be based on reproduction or replacement methods adjusted by deflation factor linked to the in-service date of an asset.

This valuation will only apply to the implementation of this policy. All future acquired assets will be recorded at actual cost. Contributed or donated assets will be valued at fair market value.

Betterments

Betterments are enhancements to the service potential of a TCA. To be considered a betterment there must be an increase in the previously assessed physical output or service capacity;

- A reduction in associated operating costs;
- An extension of the estimated useful life; or
- An improvement in the quality of output

Betterments which meet the threshold of the applicable TCA category are capitalized. Otherwise, they are expensed.

Repair and Maintenance which are necessary to obtain the expected service potential of a capital asset for its estimated useful life are not betterments. These costs should be expensed when incurred. They include:

- Repairs to restore assets damaged by fire, flood, accidents or similar events, to the condition just prior to the event; and
- Routine maintenance and expenditures, such as painting, cleaning and replacing minor parts.

Where a betterment enhances the service potential of a capital asset without increasing its estimated useful life, the depreciation period should remain the same.

Where a betterment increases the estimated useful life of a capital asset, its useful life should be changed.

Where a betterment involves the replacement of an identifiable component of a capital asset, the original cost of that component and the related accumulated depreciation should be removed from the accounting records.

Disposal of Assets

Disposal of TCAs in the accounting period may occur by sales, trade-in, destruction, loss or abandonment.

When a TCA is disposed of, the cost and the accumulated depreciation should be removed from the accounting records and any gain or loss recorded. A gain or loss on disposal is the difference between the net proceeds received and the net book value of the asset and should be accounted for as revenue or expense, respectively.

Cost of disposal paid by the municipality should be expensed.

Amortization

Amortization is calculated using the straight-line method based on the estimated useful life of each asset.

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 depreciation will be expensed.

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 as it is disposed of. There will be no annual depreciation expense recognized.

No depreciation will be recorded on work in progress. Once the asset has been placed into service, the appropriate transfer will be made from work in progress to completed assets and depreciation will commence in that period.

Estimated Useful Life

Schedule A shows the maximum expected life for all major classes of TCAs. 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.

The estimate of the useful life on the remaining unamortized portion of a TCA can be revised when the appropriateness of a change can be clearly demonstrated. The effect of this change will be recorded in the year of revision and in future years.

When used assets are acquired the estimated useful life should be reduced based on the age and condition of the asset.

Work in Progress

Where the construction or development of a capital asset occurs over several years, capital costs should be accumulated until the asset is ready for use.

A work in progress account should be established to allow work in progress capital costs to be tracked separately from assets subject to depreciation. Work in progress 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 (FAC's are issued) or the asset has been placed into service depreciation will commence.

Studies and Other Initiatives

Studies and other initiatives that do not relate directly to the acquisition of a TCA shall not be capitalized but shall be expensed in the year in which they occur.

**Schedule A:
Maximum Useful Life**

Asset Classes	Maximum Useful Life (number of years)
Major	
○ Minor	
● Subclass One	
⇒ Subclass Two	
❖ Subclass Three	
Buildings	
● Permanent Structures	50
● Portable Structures	25
Cultural & Historical Assets	
○ Public art	
○ Historical	
○ Heritage site	
Engineered Structures	
○ Roadway system	
● Curb & gutter	30
● Roads & streets	
⇒ Lanes/alleys (<i>*subject to weather conditions</i>)	
❖ Asphalt Concrete Pavement (ACP) - hot mix	20*
❖ Gravel	15
❖ Nonconforming	20
⇒ Local/Collector/Arterial/Major Arterial (<i>*subject to weather conditions</i>)	
❖ Surface Concrete	30*
❖ ACP - hot mix	20*
❖ ACP - cold mix	10*
❖ Chip seal	10*
❖ Oil	5*
❖ Gravel	25*
⇒ Subsurface	40*
● Road signs	
⇒ Traffic control	30
⇒ Information	30
● Lights	
⇒ Decorative	30
⇒ Street	30
⇒ Traffic	30
○ Water system	
● Distribution system	
⇒ Mains	75
⇒ Services	75
● Pump, lift and transfer stations	45
⇒ Pumping equipment	
● Hydrants/fire protection	75
● Reservoirs	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
❖ Pumping equipment	45
• Lagoons	45
○ Storm system	
• Collection system	
❖ Mains	75
❖ Services	75
• Catch basins	75
• Outfalls	75
• Wetlands	75
• Retention ponds	75
Land	
○ Right-of-way	
○ General	
Land Improvements	
○ Campground (electrical)	20
○ Fences	20
○ Lakes/ponds	25
○ Landscaping	25
○ Monuments	25
○ Parking lot	
• Gravel	15
• Asphalt	25
○ Playground structures	15
○ Porta Pottie Enclosures	20
○ Sports fields	20
○ Street Decor	
• Bike Racks	20
• Highways Christmas Lights	10
• Pathway Solar Lights	20
• Receptacles	20
• Tree Grates	20
○ Trails	
• Gravel	10
• Asphalt	20
Machinery and Equipment	
○ Bins	15
○ Communications	
• Radios	10
• Telephone systems	10
○ Facilities Equipment Mounted	20
○ Fire equipment	12
○ Computer Systems	
• Hardware	5
• Software	10
○ Heavy equipment	Variable

○ Office Furniture & Equipment	
• Furniture	20
• Office equipment	10
○ Small equipment	10
○ Turf equipment	10
Vehicles	
○ Light Duty	10
○ Heavy Duty	10
○ Fire Trucks	25