



## POLICY – FN 06

## TANGIBLE CAPITAL ASSETS

<b>APPROVAL DATE:</b>	2008-01	<b>CROSS-REFERENCE:</b>	
<b>RESPONSIBILITY:</b>	Administration		
<b>APPROVER:</b>	Council	<b>APPENDICES:</b>	
<b>REVISION DATE (s):</b>	2021-12-13	<b>REVIEW DATE:</b>	2026

### POLICY STATEMENT

To meet the requirements of the Public Section Accounting Handbook Section 3150 as it relates to the recognizing and recording of Village of Marwayne tangible capital assets.

### BACKGROUND

The module for the recording of tangible capital assets has been integrated with the general ledger financial system of the Village of Marwayne. This policy and the Village's asset management plan serve to recognize the Village's investments and economic resources that are required to acquire and maintain the Village's assets.

### OBJECTIVE

To prescribe the accounting for tangible capital assets.



## DEFINITIONS

**Betterment** is the cost incurred to the tangible capital asset that increases previously assessed physical output or service capacity, lower associated operating costs, extends the useful life of the asset or improves the quality of the assets output. All other expenditures are considered a repair or maintenance and will be expensed.

**CAO** is the Chief Administrative Officer for the Village of Marwayne in the Province of Alberta.

**Capital Threshold** is the value of an expenditure for a tangible capital asset that is established as the base minimum amount for the recording of tangible capital assets.

**Employee** is a full-time permanent Employee of the Village of Marwayne in the Province of Alberta.

**Employer** is the Village of Marwayne in the Province of Alberta.

**Pooled/Grouped Asset(s)** are assets that have an individual unit value below the capitalization threshold but that as a group have a material value. These items are recorded as a single asset with a combined value where applicable.

**Residual Value** is the net amount that may be realized at the end of the useful life of an asset.

**Tangible Capital Asset(s) or TCA** are assets of a physical substance that:

1. Are used in the course of operations for the Village of Marwayne;
2. Have a useful life extending beyond an accounting period;
3. Are not held for resale in the ordinary course of operations; and
4. Meet both the criteria of a tangible capital asset and exceed the established capitalization thresholds.

**Useful life** is the shortest of the physical, legal, technological or commercial life of an asset as recorded in Schedule A attached hereto.

**Village** is the Village of Marwayne in the Province of Alberta.

## GUIDING PRINCIPLES

- **Asset Classification**
  - The Village possesses a TCA register that contains accurate information about each asset, its history and its value.
  - TCA's are defined in two (2) classes: Major and Minor.



- **Major** – land, land improvements, buildings, engineered structures, machinery & equipment, vehicles and cultural & historical.
- **Minor** – roadway systems, water systems, wastewater systems and storm systems.

- **Capitalization Thresholds**

- Capitalization Thresholds have been established in order to ensure asset records meet materiality requirements proven for effective asset management practices.
- All initial expenditures that meet the requirements of a TCA and meet or exceed the minimum thresholds listed below in Table 1 are recorded as TCA's.

Asset	Class	Threshold
Roadway Systems	Minor	\$10,000
Water Systems	Minor	\$10,000
Wastewater Systems	Minor	\$10,000
Storm Systems	Minor	\$10,000
Land	Major	No Minimum
Land Improvements	Major	\$2,000
Buildings	Major	\$10,000
Engineered Structures	Major	\$10,000
Machinery & Equipment	Major	\$2,000
Vehicles	Major	\$2,000
Cultural & Historical	Major	N/A

- **Valuation**

- TCA's are recorded at historical cost. Should historical costs be unknown, a reasonable estimate of the value shall be made. In the absence of actual costs for roadways, assets shall be valued in accordance with the costing formulas provided by Alberta Municipal Affairs. In the absence of actual costs for bridges and



culverts, assets shall be valued in accordance with the costing formulas provided by Alberta Transportation.

- Land costs shall include the purchase price plus legal fees, registration costs, transfer taxes, out of pocket expenses, and any costs incurred to make the land suitable for use.
- Purchased assets are to include the costs plus all non-refundable taxes, duties, freight, delivery, installation and site preparation charges. Discounts and/or rebates are to be netted against the costs.
- Acquired, constructed or developed assets are to include the costs for the acquisition, development, construction, professional and architectural fees. Carrying costs may include internal design, inspection and administrative costs. Carrying costs may no longer be capitalized once the asset is ready for use or when no construction or development is taking place.
- Donated or contributed assets shall have their value estimated at fair market value upon receipt. Values may be estimated by replacement cost.
- Interest costs are to be capitalized from the start of the period where expenses were incurred or when activities take place that prepare the asset for its intended use. Capitalization of interest costs must cease during periods where no activity takes place and ends when substantially all of the activities to prepare the asset for use have been completed.
- Single purchases are to be allocated to each asset within the group when the purchased price is obtained for a group of assets. Each asset is to be valued at its fair value or some other reasonable basis if the fair value cannot be determined.

- **Amortization Methods and Rates**

- The cost of a TCA, less the residual value, is to be amortized over the useful life of the asset in a rational and systematic manner.
- Amortization is recorded the year following acquisition and in the year of disposal or in the year an asset was put into service.
- Assets, with the exception of land, is to be amortized in a straight line basis.



- **Review Schedule**

- The amortization method and estimate of the useful life of the remaining unamortized portion of a TCA should be reviewed as follows:
  - Every three (3) years:
    - Land Improvements
    - Machinery & Equipment
    - Vehicles
  - Every five (5) years:
    - Storm Systems
    - Wastewater Systems
    - Water Systems
    - Roadway Systems
    - Buildings
- When conditions indicate that a TCA is no longer contributing to the Village of Marwayne's ability to provide goods and/or services, or that the value of future economic benefits associated with the asset is less than its net book value, the cost of the asset should be reduced to reflect the decline in the asset's value.

- **Disposal**

- Disposals of TCA's may occur by sale, destruction, loss or abandonment. A gain or loss on disposal shall be recorded as revenue or expenses in the Village's statement of operations.



## ROLES & RESPONSIBILITIES

ROLE/TASK	TITLE (s) OF PERSON RESPONSIBLE
<b>HANDLING INQUIRIES &amp; COMMUNICATING POLICY</b>	Chief Administrative Officer
<b>MONITORING REVIEWS AND REVISIONS</b>	Administrative Assistant



## SCHEDULE “A” – Useful Life

Asset	Class	Useful Life
<b>Land</b> <ul style="list-style-type: none"> <li>• Right of way</li> <li>• Undeveloped right of way</li> <li>• Parks</li> <li>• General</li> </ul>	Major	N/A
<b>Land Improvements</b> <ul style="list-style-type: none"> <li>• Gravel parking lot</li> <li>• Asphalt parking lot</li> <li>• Playground structures</li> <li>• Fences</li> <li>• Outdoor lighting</li> <li>• Landfill pits</li> <li>• Landfill pads</li> <li>• Transfer stations</li> <li>• Landscaping</li> <li>• Sprinkler systems</li> <li>• Soccer pitches</li> <li>• Bike/jogging paths asphalt</li> </ul>	Major	<ul style="list-style-type: none"> <li>• 15</li> <li>• 25</li> <li>• 15</li> <li>• 20</li> <li>• 20</li> <li>• 20</li> <li>• Volume</li> <li>• Volume</li> <li>• 25</li> <li>• 25</li> <li>• 20</li> <li>• 20</li> </ul>
<b>Cultural &amp; Historical</b>	Major	N/A
<b>Buildings</b> <ul style="list-style-type: none"> <li>• Permanent structures <ul style="list-style-type: none"> <li><i>Frame</i></li> <li><i>Metal</i></li> <li><i>Concrete</i></li> </ul> </li> <li>• Portable structures <ul style="list-style-type: none"> <li><i>Metal</i></li> <li><i>Frame</i></li> </ul> </li> </ul>	Major	<ul style="list-style-type: none"> <li>• 50</li> <li>• 50</li> <li>• 50</li> <li>• 25</li> <li>• 25</li> </ul>
<b>Roadway Systems</b> <ul style="list-style-type: none"> <li>• Bridges</li> <li>• Overpasses/interchanges</li> <li>• Curbs &amp; gutters</li> <li>• Lanes/Alleys <ul style="list-style-type: none"> <li>ACP hot mix</li> <li>Gravel</li> <li>Nonconforming</li> </ul> </li> <li>• Local/Collector/Arterial <ul style="list-style-type: none"> <li>ACP hot mix</li> <li>ACP cold mix</li> </ul> </li> </ul>	Minor	<ul style="list-style-type: none"> <li>• Variable</li> <li>• 60</li> <li>• 30</li> <li>• 20</li> <li>• 15</li> <li>• 20</li> <li>• 30</li> <li>• 20</li> </ul>



<ul style="list-style-type: none"> <li>Chip Seal</li> <li>Oil</li> <li>Gravel</li> <li>Subsurface</li> <li>• Road signs</li> <li>Traffic control</li> <li>Information</li> <li>• Lights</li> <li>Decorative</li> <li>Street</li> <li>Traffic</li> <li>• Guard rails</li> <li>• Ramps</li> <li>• Sidewalks</li> </ul>		<ul style="list-style-type: none"> <li>• 10</li> <li>• 5</li> <li>• 25</li> <li>• 40</li> <li>• 30</li> <li>• 30</li> <li>• 30</li> <li>• 30</li> <li>• 30</li> <li>• 30</li> <li>• 30</li> <li>• 30</li> <li>• 30</li> </ul>
<p><b>Water Systems</b></p> <ul style="list-style-type: none"> <li>• Distribution system</li> <li>Mains</li> <li>Services</li> <li>• Pumps, lift &amp; transfer stations</li> <li>• Plants and facilities</li> <li>Structures</li> <li>• Treatment equipment</li> <li>Mechanical</li> <li>Electrical</li> <li>General</li> <li>• Pumping equipment</li> <li>• Hydrants/fire protection</li> <li>• Reservoirs</li> </ul>	Minor	<ul style="list-style-type: none"> <li>• 75</li> <li>• 75</li> <li>• 45</li> <li>• 45</li> <li>• 45</li> <li>• 45</li> <li>• 45</li> <li>• 45</li> <li>• 75</li> <li>• 75</li> <li>• 45</li> </ul>
<p><b>Storm Systems</b></p> <ul style="list-style-type: none"> <li>• Collection systems</li> <li>Mains</li> <li>Services</li> <li>• Pump, lift &amp; transfer stations</li> <li>• Catch basins</li> <li>• Outfalls</li> <li>• Wetlands</li> <li>• Retention ponds</li> <li>• Treatment facility</li> </ul>	Minor	<ul style="list-style-type: none"> <li>• 75</li> <li>• 75</li> <li>• 45</li> <li>• 75</li> <li>• 75</li> <li>• 75</li> <li>• 75</li> <li>• 75</li> <li>• 45</li> </ul>
<p><b>Wastewater Systems</b></p> <ul style="list-style-type: none"> <li>• Collection systems</li> <li>Mains</li> <li>Services</li> </ul>	Minor	<ul style="list-style-type: none"> <li>• 75</li> <li>• 75</li> </ul>





<ul style="list-style-type: none"> <li>• Pump, lift &amp; transfer stations</li> <li>• Treatment equipment               <ul style="list-style-type: none"> <li>Mechanical</li> <li>Electrical</li> <li>General</li> </ul> </li> <li>• Pumping equipment</li> <li>• Lagoons</li> </ul>		<ul style="list-style-type: none"> <li>• 45</li> <li>• 45</li> <li>• 45</li> <li>• 45</li> <li>• 45</li> <li>• 45</li> </ul>
<p><b>Machinery &amp; Equipment</b></p> <ul style="list-style-type: none"> <li>• Heavy construction equipment</li> <li>• Stores</li> <li>• Food services</li> <li>• Fire equipment</li> <li>• Control systems               <ul style="list-style-type: none"> <li>Communication links</li> <li>SCADA system</li> <li>Radios</li> <li>Telephone systems</li> </ul> </li> <li>• Fueling stations</li> <li>• Meters               <ul style="list-style-type: none"> <li>Electrical</li> <li>Gas</li> <li>Water</li> </ul> </li> <li>• Office furniture</li> <li>• Office equipment</li> <li>• Computer systems               <ul style="list-style-type: none"> <li>Hardware</li> <li>Software</li> </ul> </li> </ul>	Major	<ul style="list-style-type: none"> <li>• Variable</li> <li>• 25</li> <li>• 10</li> <li>• 12</li> <li>• 5</li> <li>• 20</li> <li>• 10</li> <li>• 10</li> <li>• 10</li> <li>• 15</li> <li>• 20</li> <li>• 20</li> <li>• 40</li> <li>• 20</li> <li>• 10</li> <li>• 5</li> <li>• 10</li> </ul>
<p><b>Vehicles</b></p> <ul style="list-style-type: none"> <li>• Light duty</li> <li>• Medium duty</li> <li>• Heavy duty</li> <li>• Fire trucks</li> </ul>	Major	<ul style="list-style-type: none"> <li>• 10</li> <li>• 10</li> <li>• 10</li> <li>• 25</li> </ul>

*\*\*Any assets not defined in the above table shall coincide with the TCA implementation toolkit from the Public Sector Accounting Handbook\*\**