



# Tangible Capital Assets

## Financial Services – Analysis and Reporting Policy C12

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<b>Policy:</b>	C12 – Tangible Capital Assets
<b>Policy Department(s):</b>	Financial Services – Analysis and Reporting
<b>Adoption Date:</b>	N/A
<b>Adoption Reference:</b>	N/A
<b>Effective Date:</b>	N/A
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### Policy Purpose

To provide a framework to facilitate the consistent treatment of tangible capital assets which are open to interpretation, to enable the County to make more informed decisions regarding these assets and to structure capital asset reporting on the financial statements in compliance with generally accepted accounting principles.

### Policy Statement

This policy will only apply to those assets of the Count of Grande Prairie that meet the definition of a tangible capital asset as well as the thresholds set by this policy. Any assets that should be recorded because of risk management, security, and safety considerations, but do not meet the tangible capital assets requirements of this policy will be managed by individual departments.

This policy will address asset classification, capitalization threshold, amortization and useful lives, write-downs, remaining life, physical verification and asset condition, and disposals/interdepartmental transfers.

### Definitions

“Amortization” means a rational and systematic manner of allocating the cost of a tangible capital asset over its estimated useful life.

“Capital Lease” means leases which transfer substantially all the benefits and risks inherent in ownership of property to the County. For all the benefits and risk of ownership to be substantially transferred, one or more of the following conditions must be met:

- There is reasonable assurance that the County will obtain ownership of the lessor’s property by the end of the lease term or when the lease provides for a bargain purchase option. A bargain purchase option is a provision that allows the lessee an option to purchase the leased property for a price that is sufficiently lower than the expected fair value of the property at the date the option becomes exercisable that, at the inception of the lease, exercise of the option appears to be reasonably assured;
- the term is of such duration that the County will receive substantially all the economic benefits expected to be derived from the use of the leased property over its life span.



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The condition is considered to be met if the lease is for a term equal to or greater than 75% of the economic life of the leased property;

- the lessor is assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement. This condition would exist if the present value at the beginning of the lease term, of the minimum lease payments, excluding any portion relating to executory costs, is equal to 90% or more of the fair value of the leased property. In calculating the present value of the stream of lease payments, at the inception of the lease, the discount rate used by the lessee would be the lower of the lessee's rate for incremental borrowing for a term equal to the initial lease term and the interest rate implicit in the lease, if known.

“Capitalization Threshold” means the minimum cost an individual tangible capital asset must have before it is recorded as a tangible capital asset on the statement of financial position.

“Classification” means the method by which similar assets are grouped based on their use and service capacity in order to promote consistent treatment of like assets

“Cost” means the gross amount of consideration given up, to acquire, construct, develop or better a 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 tangible capital asset in lieu of a developer charge, is considered to be equal to its fair value at the date of contribution. Capital grants would not be netted against the cost of the related tangible capital asset. The cost of a leased tangible capital asset is determined in accordance with Public Sector Guideline PSG-2, Leased Tangible Capital Assets.

“County” means the municipality of the County of Grande Prairie No. 1 having jurisdiction under the Municipal Government Act and other applicable legislation.

“Fair Value” means the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

“Net Book Value” means the cost of a tangible capital asset less both accumulated amortization and the amount of any write downs. It represents the asset's unconsumed cost.

“Nominal Value” means the value assigned to an asset when no asset valuation method is relevant, or where the accuracy of any estimate could not be supported in an audit. Nominal value in this context is defined by the County to be one Canadian dollar.

“Residual Value” means the estimated net realizable value of a capital asset at the end of its estimated useful life. A related term, salvage value, refers to the realizable value at the end of an asset's life. If the County expects to use a capital asset for its full life, residual and salvage value are the same.

“Tangible Capital Asset” means a significant economic resource managed by governments and a key component in the delivery of many government programs. Tangible capital assets include such a diverse item as roads, buildings, vehicles, equipment, land, water and other utility systems, computer hardware, software, and bridges.



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Tangible capital assets are non-financial assets having physical substance that:

- are held for use 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 economic lives that extend beyond an accounting period;
- are to be used on a continuing basis; and
- are not for sale in the ordinary course of operations.

“Useful Life” means the estimate of either the period over which a tangible capital asset is expected to be used by the municipality, or the number of units of production that can be obtained from the tangible capital asset. The life of a tangible capital asset may extend beyond its useful life. The life of a tangible capital asset, other than land, is finite, and is normally the shortest of the physical, technological, commercial, and legal life.

“Valuation” means the value that is assigned to the capital asset. Capital assets are recorded at cost plus all additional charges necessary to place the asset in its intended location and condition for use. If cost is not available estimates will be made using fair value.

“Write-down” means the reduction in the cost of a tangible capital asset to reflect the decrease in the quality or quantity of its service potential due to a permanent impairment. A write-down is recorded and expensed in the period the decrease can be measured and is expected to be permanent.

### Policy Guidelines

1. This policy will only apply to the assets of the County that meet the definition of a tangible capital asset as well as the thresholds set herein. Any assets that should be recorded for risk management, security, and safety and environmental considerations, but do not meet the tangible capital assets requirements of this policy will be managed by individual departments due to their nature.
2. Considerable professional judgment is required to implement the policy. The Analysis and Reporting Manager will be responsible for exercising this judgment when required, while ensuring that the integrity of the policy is maintained.

### ASSET CLASSIFICATIONS

3. Major, minor and subclass of tangible capital assets will be defined as:
  - 3.1. Major – a group of tangible capital assets that is significantly different in design and use
  - 3.2. Minor – a classification within a major class for assets that have unique characteristics
4. Subclass – a further classification that may be required due to unique tangible capital asset criteria, applications, methodologies, and asset lives. There is the option to classify further into subclass one, subclass two, subclass three, etc.



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5. Tangible capital assets will be classified in the following **major** classes:
  - Land
  - Site Improvements
  - Buildings
  - Cultural & Historical
  - Vehicles
  - Machinery & Equipment
  - Engineered Structures
6. Definitions of **major** asset classifications:
  - 6.1. **Land** – includes land purchased or acquired for value for parks and recreation, building sites, infrastructure (roadways, dams, bridges, tunnels etc.) and other program use, but not land held for resale. Also includes developed and undeveloped road allowances and contributed assets (e.g., Municipal Reserve Land).
  - 6.2. **Site Improvements** – all improvements of a permanent nature to land such as parking lots, landscaping, lighting, pathways, and fences.
  - 6.3. **Buildings** – permanent, temporary, or portable building structures and the related services (utility lines), including offices, garages, warehouses, and recreation facilities intended to shelter persons and/or goods, machinery, equipment and working space.
  - 6.4. **Engineered Structures** – permanent structural works such as roads, bridges, canals, dams, water and sewer, and utility distribution and transmission systems, including plants and substations.
  - 6.5. **Machinery and equipment** – equipment that is heavy equipment for constructing infrastructure, smaller equipment in buildings and offices, furnishings, computer hardware and software. This class does not include stationary equipment used in the engineered structures class.
  - 6.6. **Vehicles** – rolling stock that is used primarily for transportation purposes.
  - 6.7. **Cultural and historical assets** – works of art and historical treasures that have cultural, aesthetic, or historical value that are worth preserving perpetually. These assets 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 asset classification.
7. Tangible capital assets will be classified into the following **minor** classes:
  - 7.1. Engineered Structures
    - Roadway system
    - Water system



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- Wastewater system
  - Storm system
  - Fibre optics
8. Buildings, and machinery and equipment, will be grouped in a subclass for the minor classes of water, wastewater, and storm water. This treatment is an exception to the recommended approach to classify tangible capital assets to better report the cost of distribution and transmission systems.
9. Definitions of engineered structure *minor* classes:
- 9.1. **Roadway systems** – assets intended for the direct purpose of vehicles or pedestrian travel or to aid in vehicle or pedestrian travel. Includes roads, bridges, overpasses, ramps, parkades, lights, sidewalks, and signage.
- 9.2. **Water systems** – systems for the provision of water through pipes or other constructed convey. It is normally comprised of assets for the intake, distribution, storage, and treatment of safe potable water. It may also be comprised of assets required to distribute non-potable water. Includes mains, services, pump and lift stations, plants and equipment, reservoirs, and fire hydrants.
- 9.3. **Wastewater system** – wastewater is defined as water that has been used for household, business, and other purposes, which flows from private plumbing systems to public sanitary sewers and on to a treatment plant. This system is 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, pump and lift stations, plants and equipment and lagoons.
- 9.4. **Storm systems** - assets used for the collection, storage, and transfer of water because of rain, flood, or other external source to a natural water system. Includes mains, services, catch basins, pump and lift stations, outfalls, and retention ponds.
- 9.5. **Fibre optics** – fibre optics is defined as technology that uses glass or plastic threads (fibres) to transmit data. A fibre optics cable consists of a bundle of threads, each capable of transmitting messages modulated onto light waves. This system is comprised of the assets necessary to transmit data through a fibre optic cable.

### Capitalization Thresholds

10. Some expenditures that meet the definition of a tangible capital asset should be treated as an operating expense. This is because their value is low and the cost of recording and tracking the asset is greater than the resulting benefit. The capitalization threshold is the minimum value of a tangible capital asset to be recorded.
11. The capitalization thresholds are as follows:



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- Land - all land excluding land held for resale, is to be capitalized because of the permanent nature of land.
  - Site Improvements - \$10,000
  - Buildings - \$10,000
  - Cultural and Historical – N/A
  - Vehicles - \$10,000
  - Machinery & Equipment - \$10,000
  - Engineered Structures - \$50,000
12. Note: All ATV's including quads, side by sides, and sleds will be capitalized regardless of cost. Trailers will be capitalized at a \$5,000 threshold.
13. Subsequent expenditures that are related to a particular capital asset and that are determined to be a betterment are subject to the threshold limits set for that asset class.

### **AMORTIZATION AND USEFUL LIVES**

14. The County will calculate amortization using the straight-line method over the useful life of the asset. In the year the asset goes into service or is purchased 50% of the annual amortization amount will be recorded, and 50% in the year the asset is disposed when using the straight-line method only.
15. At the time of acquisition, the maximum useful life of an asset and amortization method as established in Appendix A will be used to depreciate the asset.

### **WRITE-DOWNS**

16. Write-downs shall be reported to Council annually as part of the 4<sup>th</sup> Quarter reporting during Committee of the Whole.

### **REMAINING LIFE, PHYSICAL VERIFICATION AND ASSET CONDITION**

17. All departments with tangible capital assets under their control are required to complete a physical inventory of assets and verify inventory listings of assets at least once a year. Discrepancies shall be investigated by the department in question with Financial Services.
18. Each department is responsible for completing condition ratings on any assets that are expected to be replaced sooner than its maximum useful life. These ratings are to be completed by competent staff having the ability to ascertain asset condition.

### **DISPOSALS / INTERDEPARTMENTAL TRANSFERS**

19. When tangible capital assets are taken out of service, destroyed, sold, or replaced due to obsolescence, scrapping or dismantling, the department manager or designate shall notify the Analysis and Reporting department of the asset description and effective date.
20. Departments transferring assets from one department to another shall notify Financial Services in writing within one week of the transfer to ensure timely adjustments in the



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financial system. Assets will be transferred based on the asset’s net book value at the time of the transfer.

21. Once an asset is determined to be no longer useful, it shall be taken out of service and disposed of. Asset disposals shall be performed in accordance with Policy C21 – Disposals of Assets and Surplus Goods.
22. Disposals/interdepartmental transfers shall be reported to Council annually as part of the 4<sup>th</sup> Quarter reporting during Committee of the Whole.

### Attachments

Schedule A – Asset Class Listing

### References

<b>Legal Authorities</b>	Municipal Government Act, RSA 2000, c M-26
<b>Related Plans, Bylaws, Policies, etc.</b>	Policy B1 – Policy Development Policy C21 – Disposal of Assets, Surplus Supplies and Seized Assets/Goods Policy C27 - Financial Reserve Policy Policy N39 – Surfaced Road Rehabilitation Policy C39 – Asset Management
<b>Other</b>	

### Revision History

<b>Review Date</b>	<b>Description</b>
November 14, 2022	Reviewed and Amended CM20221114.013
January 20, 2020	Reviewed and Amended CM20200120.019
January 20, 2015	Reviewed and Amended CAO Approval
April 7, 2014	Reviewed and Amended CM20140407.1079
October 19, 2009	Reviewed and Amended; Name changed from “Accounting Policies” to current name 10-1376-09
N/A	Adoption Date

Schedule A - Asset Class Listing

Policy C12

**MAJOR CLASS: LAND**

CAPITALIZATION THRESHOLD	MINOR CLASS	SUB- CLASS	ESTIMATED USEFUL LIFE	AMORTIZATION METHOD
<b>\$0</b>	Road allowances - developed		n/a	n/a
	Road allowances - undeveloped		n/a	n/a
	General		n/a	n/a

**MAJOR CLASS: SITE IMPROVEMENTS**

CAPITALIZATION THRESHOLD	MINOR CLASS	SUB- CLASS	ESTIMATED USEFUL LIFE	AMORTIZATION METHOD	
<b>\$10,000</b>	Parking Lot/Access (1)	Paved	25	Straight Line	
		Unpaved	15	Straight Line	
	Landfill	Pits		Based on volume	Percentage of use
			Recycling Bays Concrete Blocks	50	Straight Line
			Recycling Bays Paved Pad	10	Straight Line
		Landscaping	Transfer Stations	25	Straight Line
			Outdoor Structures	25	Straight Line
			Playground Structures	15	Straight Line
	Fencing	Field Shelters	10	Straight Line	
		Batting Cages	20	Straight Line	
		Sprinkler Systems	20	Straight Line	
		Fountains	25	Straight Line	
		Outdoor Lighting	20	Straight Line	
		Bike/ Jogging Paths	Paved	20	Straight Line
			Unpaved	15	Straight Line
	Boat Launch Ramps		25	Straight Line	

(1) Includes signage, Curbs & Gutters, Sidewalks & Para ramps



Schedule A - Asset Class Listing

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**MAJOR CLASS: BUILDINGS**

CAPITALIZATION THRESHOLD	MINOR CLASS	SUB- CLASS	ESTIMATED USEFUL LIFE	AMORTIZATION METHOD
<b>\$10,000</b>	Permanent Structures	Concrete	50	Straight Line
		Metal or Frame	30	Straight Line
	Portable Structures	Metal or Frame	20	Straight Line
	Leasehold Improvements		length of lease, 5 year min.	Straight Line

2) Includes the onsite portion of any in ground utility lines servicing buildings

**MAJOR CLASS: CULTURAL AND HISTORICAL**

CAPITALIZATION THRESHOLD	MINOR CLASS	SUB- CLASS	ESTIMATED USEFUL LIFE	AMORTIZATION METHOD
<b>N/A</b>	Buildings		n/a	n/a
	Public Art		n/a	n/a
	Sites		n/a	n/a

**MAJOR CLASS: VEHICLES**

CAPITALIZATION THRESHOLD	MINOR CLASS	SUB- CLASS	ESTIMATED USEFUL LIFE	AMORTIZATION METHOD
<b>\$10,000</b>	High Usage	Trucks, Vans, SUV's	6	Straight Line
		Fuel Trucks	5	Straight Line
		5 Ton (tandem axle)	8	Straight Line
	Low Usage	Trucks, Vans, SUV's	12	Straight Line
		2 & 3 Ton (single axle)	12	Straight Line
		5 Ton (tandem axle)	14	Straight Line
	Medium Usage	Trucks, Vans, SUV's	10	Straight Line
		2 & 3 Ton (single axle)	10	Straight Line
		5 Ton (tandem axle)	10	Straight Line
	Emergency Response Units	Vehicles - Enforcement	4	Straight Line
		Vehicles - Fire Squad	5	Straight Line
		Vehicles - Bylaw Officer/Animal	6	Straight Line
		Fire Brush Units	7	Straight Line
		Fire Rescue Vehicle - Light	12	Straight Line
		Fire Engines/Pumpers	15	Straight Line
		Fire Tenders/Tankers	15	Straight Line
		Fire Command Units	15	Straight Line
		Fire HazMat Units	15	Straight Line
		Fire Rescue Vehicle - Heavy	15	Straight Line
		Fire Ladder Truck	20	Straight Line
		Other Recreational Vehicles (3)	Snowmobiles	10
	Quads		5	Straight Line
Side by side/(Gators)	8		Straight Line	

3) All Snowmobiles, Quads & Side by Sides will be capitalized regardless of threshold

Schedule A - Asset Class Listing

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**MAJOR CLASS: MACHINERY & EQUIPMENT**

CAPITALIZATION THRESHOLD	MINOR CLASS	SUB- CLASS	ESTIMATED USEFUL LIFE	AMORTIZATION METHOD	
<b>\$10,000</b>	Heavy Equipment (4)	Backhoes	8	Straight Line	
		Forklift	20	Straight Line	
		Graders	5	Straight Line	
		Ice Re-Surfacers	10	Straight Line	
		Loaders	10	Straight Line	
		Loaders - High Usage (Gravel Pit)	5	Straight Line	
		Mower - High Usage	5	Straight Line	
		Mower	8	Straight Line	
		Pavers	10	Straight Line	
		Mower Tractor Unit	7	Straight Line	
		Plows	7	Straight Line	
		Powered Packers	15	Straight Line	
		Powered Packers - Landfill	5	Straight Line	
		Roadhog	10	Straight Line	
		Rock Trucks	10	Straight Line	
		Sanders	10	Straight Line	
		Scrapers - Motor	8	Straight Line	
		Scrapers - Pull	15	Straight Line	
		Snowblower	10	Straight Line	
		Sprayers	6	Straight Line	
		Steamers	10	Straight Line	
		Streetsweeper	10	Straight Line	
		Tracked Equipment - High Usage	8	Straight Line	
		Tracked Equipment - Medium Usage	10	Straight Line	
		Tractors - Crawler (Rubber Tire)	12	Straight Line	
		Trailers	15	Straight Line	
		Fire Equipment		12	Straight Line
		Fitness and Wellness		10	Straight Line
		Tools, Shop/Garage Equipment	(Man lift/Electric lift)	15	Straight Line
		Scales		15	Straight Line
		Bins		15	Straight Line
		Communications	Radios/Telephone Systems	10	Straight Line
			Distribution/Local Towers	10	Straight Line
		Computer Systems	Hardware	4	Straight Line
			Software	10	Straight Line
			Orthos	4	Straight Line
			Printers	5	Straight Line
			Security Equipment	10	Straight Line
		Control Systems	SCADA System	10	Straight Line
		Office Furniture & Equipment	Office Furniture	20	Straight Line
			Office Equipment	10	Straight Line
		Specialized Equipment	(Radar, Video, POS, GPS)	5	Straight Line
	Variable Frequency Drive, Floor Scrubber, Line Painter	8	Straight Line		
	Incinerator, Air Curtain Burner, Water Softener, Bulb Crusher	10	Straight Line		
Turf Equipment		10	Straight Line		

*(4) Trailers will be capitalized at a \$5,000 threshold*

## Schedule A - Asset Class Listing

## Policy C12

### MAJOR CLASS: ENGINEERED STRUCTURES

CAPITALIZATION THRESHOLD	MINOR CLASS	SUB- CLASS	ESTIMATED USEFUL LIFE	AMORTIZATION METHOD	
<b>\$50,000</b>	Lanes/Alleys	ACP Hot mix	20	Straight Line	
		Chip Seal	10	Straight Line	
	Roads - Local/Arterial/Collector/Major Arterial (5) (7)	Paved (Hot Mix) Residential	20	Straight Line	
		Paved (Hot Mix) Non-residential	16	Straight Line	
		Concrete Base	30	Straight Line	
		Chip Seal	10	Straight Line	
		ACP - Cold mix	2	Straight Line	
		Gravel Engineered/Non-Engineered	40	Straight Line	
		Overpass/Interchange	60	Straight Line	
	Lights	Decorative	30	Straight Line	
		Street	30	Straight Line	
		Traffic	30	Straight Line	
	Fibre Optics (2) Signage (not included in Roads)	Traffic Control	30	Straight Line	
		Information	30	Straight Line	
	<b>\$0</b>	Water System (2)	Mains/Lines	75	Straight Line
			Treatment Facility	45	Straight Line
			Pump/Lift/Transfer Stations	45	Straight Line
Hydrants/Fire Protection			75	Straight Line	
Reservoirs			45	Straight Line	
Wells			45	Straight Line	
Well Monitoring			25	Straight Line	
Sewer System (2)		Mains/Lines	75	Straight Line	
		Pump/Lift/Transfer Stations	45	Straight Line	
		Lagoons	45	Straight Line	
Storm System (2)	Treatment Facility	45	Straight Line		
	Mains/Lines	75	Straight Line		
	Pump/Lift/Transfer Stations	45	Straight Line		
	Retention Ponds	75	Straight Line		
Bridges (6)	Treatment Facility	45	Straight Line		
	Steel Culverts	80	Straight Line		
	Concrete Culverts	100	Straight Line		
	Standard Bridges	50	Straight Line		
	Major Bridges	100	Straight Line		

2) The onsite portion of any in ground utility lines servicing a building is classified under "BUILDINGS".

5) Includes Signage, Culverts, Curbs & Gutters, Sidewalks & Para ramps, Geo-synthetics and Guard Rails)

6) All bridges shall be capitalized when Alberta Infrastructure classifies the project as "Capital".  
(Assessment Reports and Warranty Inspections are considered as operating costs.)

7) All APC cold mix roads shall be capitalized to reconcile with Hamlet and Rural Residential Subdivision surfacing policies