

Lac La Biche County *Policy*

TITLE: Tangible Capital Assets

POLICY NO: FIN-10-006

RESOLUTION:21.505

EFFECTIVE DATE: December 31, 2020

DEPARTMENT RESPONSIBLE: Finance

NEXT REVIEW DATE: December 1, 2024

POLICY STATEMENT:

The purpose of this policy is to provide direction to County Administration to recognize and report Tangible Capital Assets on a consistent basis and in accordance with Public Sector Accounting Standards.

DEFINITIONS:

- **“Amortization”** is a rational and systematic manner of allocating the cost of an asset over its estimated useful life. Amortization is reported as an expense on the Statement of Operations.
- **“Betterments/Improvements”** means subsequent expenditures on tangible capital assets that;
 - a. Increase previously assessed physical output or service capacity,
 - b. Lower associated operating costs,
 - c. Extend the useful life of the asset; or
 - d. Improve the quality of the output.

Any other expenditure would be considered a repair or maintenance and expensed in the period.

- **“Capital Assets”** are non-financial assets having physical substance that:
 - a) are held for use by the County 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.
 - b) have useful lives extending beyond a year and are intended to be used on a continuing basis.
 - c) are not intended for sale in the ordinary course of operations.
- **“Capital lease”** is a lease with contractual terms that transfer substantially all the benefits and risk inherent in ownership of property to the County. For substantially all of the benefits and risks of ownership to be transferred to the lessee, one or more of the following conditions must be met:
 - a. There is reasonable assurance that the County will obtain ownership of the leased property by the end of the lease term.
 - b. The lease 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.

- c. The lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement.
- **“Cost”** is the amount of consideration given up to acquire, construct, develop or better a capital asset and includes all costs directly attributable to its acquisition, construction, development or betterment, including installing the asset at the location and in the condition necessary for its intended use. For contributed assets, the cost is considered to be equal to its fair market value at the date of contribution.
 - **“Disposal”** refers to the removal of a capital asset from service as a result of sale, destruction, loss or abandonment.
 - **“Estimated Useful Life”** is the estimate of the period over which a capital asset is expected to be used or the number of units of production that can be obtained from the asset. It is the period over which an asset will be amortized and is normally the shortest of the physical, technological, commercial or legal life.
 - **“Fair Value”** is the amount of consideration that would be agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act.
 - **“Pooled Assets”** are similar assets that have a unit value below the capitalization threshold (on their own) but have a material value as a group. Such assets shall be ‘pooled’ as a single asset with one combined value. Although recorded in the asset as a single asset, each unit of the pool may be recorded in an asset sub-ledger for monitoring and control of their use and maintenance. Examples of group/pooled assets are computer software, streetlights, furniture and fixtures and small machinery or equipment.
 - **“Residual Value”** is the estimated net realizable value of a capital asset at the end of its estimated useful life to the County. 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 value and salvage value are the same.
 - **“Straight-Line Method”** is an amortization method which allocates the cost of a capital asset equally over each year of its estimated useful life.
 - **“Useful Life”** is the estimate of either the period over which the County expects to use a tangible capital asset, or the number of production or similar units that it can obtain 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 or legal life.
 - **“Work in Progress”** is the accumulation of capital costs for partially constructed or developed projects.

PRINCIPLES:

1. **CAPITALIZATION**

Tangible capital assets should be capitalized (recorded in the fixed asset sub-ledger) according to the following thresholds:

Asset Description/Category	Threshold
Land	-
Land Improvements	\$5,000
Buildings	\$50,000
Engineered Structures	\$50,000
Machinery & Equipment	\$5,000
Vehicles	\$5,000
Pooled Assets	\$10,000

2. **AMORTIZATION METHOD**

All tangible capital assets subject to amortization shall be amortized using the straight-line method. The County does not assume any residual value on its assets at the end of the asset’s useful life, unless a specific agreement is in place, for example, guaranteed buy-back program.

The County shall record 50% of the annual amortization amount in the first year of putting an asset to service and 50% in the year of disposal regardless of when within fiscal year an asset is put to use or disposed of.

3. **ASSET CLASSIFICATION**

The major asset classifications are:

- a. Land
- b. Land Improvements
- c. Playgrounds
- d. Buildings
- e. Engineered Structures
- f. Machinery & Equipment
- g. IT Equipment
- h. Vehicles
- i. Cultural and Historical Assets

Definitions of major asset classes:

- **Land:** Land includes land purchased or acquired for value for parks and recreation, building sites, infrastructure (highways, dams, bridges, tunnels and the like) and other program use. This does not include land held for resale.
- **Land Improvements:** All improvements of a permanent nature to land such as parking lots, landscaping, lighting, pathways, and fences.

- **Playgrounds:** This includes playground structures, outdoor gyms, tennis courts, running tracks, outdoor rinks, and skateboard parks.
- **Buildings:** Permanent, temporary or portable building structures, such as offices, garages, warehouses, and recreation facilities intended to shelter persons and/or goods, machinery, equipment and working space.
- **Engineered Structures:** These include permanent structural works such as roads, bridges, canals, dams, water and sewer, and utility distribution and transmission systems, including plants and substations.
- **Machinery & Equipment:** Equipment that is heavy equipment for constructing infrastructure, smaller equipment in buildings and offices, furnishings.
- **IT Equipment:** This includes all computer hardware and software.
- **Vehicles:** Rolling stock that is used primarily for transportation purposes.
- **Cultural and Historical Assets:** Works of art and historical treasures that have cultural, aesthetic or historical value that are worth preserving perpetually. These would include buildings declared as heritage sites. This group of assets are not recognized as tangible capital assets in financial statements, but their existence is disclosed in the notes to financial statements.

Engineered Structures minor asset classifications

Minor classifications in the Engineered Structures are:

- a. Roadway system
- b. Water system
- c. Wastewater system
- d. Storm system
- e. Fibre optics/communication system
- f. Gas distribution system

To better report the cost of distribution and transmission system, the County shall record buildings, and machinery and equipment in a subclass for each of the minor engineered structures.

Definitions of Engineered Structures minor classes:

- **Roadway system:** Assets intended for the direct purpose of vehicle or pedestrian travel or to aid in vehicle or pedestrian travel. This class includes roads, bridges, overpasses, ramps, lights, sidewalks and signage.
- **Water system:** These are systems for the provision of water through pipes or other constructed convey. It is normally comprised of assets for intake, distribution, storage and treatment of safe potable water. This also includes mains, services, pump and lift stations, plants and equipment, reservoirs and fire hydrants.

- **Wastewater system:** Wastewater system 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 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. This class includes mains, services, pump and lift stations, plants and equipment and lagoons.
- **Storm system:** This class comprises assets used for the collection, storage, and transfer of water as a result of rain, flood or other external source to a natural water system. This includes mains, services, catch basins, pump and lift stations, outfalls and retention ponds.
- **Fibre optics:** Fibre optics is defined as technology that uses glass or plastic threads (fibres) to transmit data. A fibre optic 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.
- **Gas distribution system:** This is a system that delivers gas to customers through pipelines, works, plant and equipment. This includes low- and high-pressure pipes and meters.

4. VALUATION

Tangible capital assets should be recorded at cost plus all ancillary charges necessary to place the asset in its intended location and condition for use.

Purchased Assets:

Cost of land includes purchase price plus legal fees, land registration fees, and transfer taxes. Cost also includes any costs to make the land suitable for intended use, such as pollution mitigation, demolition and site improvements that become part of the land.

When two or more assets are acquired for a single price, the cost will be allocated to each individual asset based on the fair value of each asset at the time of acquisition or some other reasonable proportional basis.

Pooled Assets:

Certain items such as tools, furniture and computers are generally below the capitalization threshold individually but are typically purchased or held in large quantities which may represent significant expenditures overall. In such cases, it would seem reasonable to capitalize all items acquired in a given asset class or pool and amortize the pool over a pre- determined amortization period.

Due to the large financial impact and large numbers purchased, there are certain assets that represent a material pooled asset. The County will create pools of assets when it believes that the pool of assets represents a significant pool of tangible capital assets that has or will have a significant financial impact on the County.

Pooled Assets with a combined total of \$10,000 or more shall be capitalized and recorded. Inventory disposal with a combined value of 10% of the asset cost will be accounted for utilizing the deemed disposal method.

Acquired, Constructed or Developed Assets:

Costs include all costs directly attributable (e.g., construction, architectural and other professional fees) to the acquisition, construction or development of the asset. Carrying costs such as internal design, inspection, administrative and other similar costs are capitalized. The County shall not capitalize carrying costs after construction or development is complete and the asset is ready for intended use. The County does not capitalize general administrative overhead.

Capitalization of Interest Costs:

The County shall capitalize all borrowing costs incurred for acquisition, construction and production of an asset that takes a substantial period of time to get ready for its intended use. However, no interest will be capitalized in the following instances;

- a. During periods in which construction is suspended and active development is interrupted for more than a twelve-month period,
- b. When substantially, all of the activities necessary to prepare an asset for its intended use are complete.

Donated or Contributed Assets:

The cost of donated or contributed assets that meet the criteria for recognition is equal to the fair value at the date of construction or contribution. Fair value may be determined using market or appraisal values. Cost may be determined by an estimate of replacement cost. Ancillary costs incurred to prepare an asset to its intended use condition will be capitalized.

5. **ESTIMATED USEFUL LIFE**

Estimated useful life for each asset category is provided in APPENDIX A. Estimated useful life listed in the appendix is the maximum that can be used for a specific asset. Professional judgement should be applied to establish a reasonable useful life in cases where the asset is not deemed to last the lifespan listed in the appendix.

In instances where an addition is being made to an existing asset, the useful life of the addition should not exceed the remaining useful life of the asset, unless the addition is considered a betterment and increases the overall life of the asset.

Leasehold improvements should be depreciated over the shorter of the life of the asset or the remaining term of the lease. The remaining term of the lease for amortization purposes can be extended into additional lease renewal periods if the renewal is reasonably assured.

6. **INVENTORY CONTROL**

Each manager will be the custodian of tangible capital assets acquired through a budget under their control. At an appropriate time interval, typically annually for smaller value assets, department managers shall work with the Finance department to verify the condition and existence confirmation of all tangible assets under their control.

“Original Signed”
Chief Administrative Officer

July 8, 2021
Date

“Original Signed”
Mayor

July 8, 2021
Date

SPECIAL NOTES/CROSS REFERENCE: CS-10-006; Tangible Capital Assets Appendix A
AMENDMENT DATE: July 6, 2021

Appendix A
Lac La Biche County
Tangible Capital Assets
Estimated Useful Life Schedule

Major	Minor	Sub-class (One)	Useful Life
Buildings			
	Permanent Structures	Frame	50
	Permanent Structures	Metal	50
	Permanent Structures	Concrete	50
	Portable Structures	Portable Structures	25
	Leasehold improvements		Variable
	Construction in progress		
Engineered Structures			
	Roads & Streets	Bridges	60
	Roads & Streets	Curb & gutter	30
	Roads & Streets	Lanes/Alleys - ACP Hot Mix	15
	Roads & Streets	Lanes/Alleys- Gravel	15
	Roads & Streets	Surface - Concrete	30
	Roads & Streets	Surface - ACP Hot Mix	15
	Roads & Streets	Surface - ACP Cold Mix	3
	Roads & Streets	Surface - Chip Seal	5
	Roads & Streets	Surface - Oil	3
	Roads & Streets	Surface - Gravel	3
	Roads & Streets	Subsurface	40
	Road Signs	Traffic signal	20
	Road Signs	Information	20
	Road Signs	Digital Speed Signs	20
	Road Signs	Signs	20
	Lights	Decorative	20
	Lights	Street	20
	Lights	Traffic	20
	Lights	Cross Walks	20
	Lights	Airport Lights	20
	Roads & Streets	Guard Rails	10
	Roads & Streets	Ramps	30
	Sidewalks	Sidewalks & para-ramps	30
	Construction in progress		

	Recreation	Docks	15
	Water System	Distribution system - Mains	50
	Water System	Distribution system - Services	50
	Water System	Pump, lift and transfer stations	30
	Water System	Plants and facilities - Structures	45
	Water System	Plants and facilities - Treatment Equipment (Mechanical, Electrical, General)	25
	Water System	Plants and facilities - Pumping Equipment	25
	Water System	Hydrants/fire protection	50
	Water System	Reservoirs	45
	Construction in progress		
	Wastewater System	Collection System - Main	50
	Wastewater System	Collection System - Services	50
	Wastewater System	Pump, lift and transfer stations	25
	Wastewater System	Plants and facilities - Structures	45
	Wastewater System	Plants and facilities - Treatment Equipment (Mechanical, Electrical, General)	25
	Wastewater System	Pumping Equipment	25
	Wastewater System	Lagoons	45
	Construction in progress		
	Storm System	Collection System - Main	50
	Storm System	Collection System- Services	50
	Storm System	Pump, lift and transfer stations	25
	Storm System	Catch basins	50
	Storm System	Outfalls	50
	Storm System	Wetlands	75
	Storm System	Retention Ponds	75
	Storm System	Treatment facility	45
	Construction in progress		
	Fibre Optics	Fibre Optics	30
Gas Distribution System			
	Gas Distribution System	Structures	50
	Gas Distribution System	Transmission	75
	Gas Distribution System	Services	50

	Gas Distribution System	Services - Medium pressure	36
	Gas Distribution System	Services- High pressure	36
	Gas Distribution System	Measurement	35
	Construction in progress		
Cultural & Historical Assets			
	Public art		Variable
	Historical		Variable
	Heritage sites		Variable
Land			
	Right-of-way		
	Undeveloped right-of-way		
	Parks		
	General		
	Municipal/Environmental Reserve		
	Land under buildings		
	Public Utility Lots		
Land Improvements			
	Airport runways		10
	Bike/jogging paths (walking trails)	Gravel	15
	Bike/jogging paths (walking trails)	Asphalt	15
	Bike/jogging paths (walking trails)	Concrete	30
	Bike/jogging paths (walking trails)	Wood	15
	Bike/jogging paths (walking trails)	Metal	15
	Lakes/ponds (man-made)		25
	Landfill	Pits	Volume
	Landfill	Pads	Volume
	Landfill	Transfer Stations	25
	Landfill	Water Retention Ponds	50
	Landscaping	Landscaping	25
	Landscaping	Fences	20
	Landscaping	Sprinkler System	25
	Landscaping	Fountains	20
	Landscaping	Outdoor lighting	20
	Parking Lot	Gravel	15

	Parking Lot	Asphalt	25
	Recreation	Golf Courses	45
	Retaining walls	Concrete	20
	Construction in progress		
Playgrounds			
	Recreation	Playgrounds	25
	Recreation	Outdoor Rink	25
	Recreation	Other Outdoor Play Areas	25
Machinery and Equipment			
	Equipment	Heavy construction equipment	10
	Equipment	Medium Equipment	15
	Equipment	Light Equipment	20
	Equipment	Utility Trailers (open/Enclosed)	20
	Equipment	Food Services	10
	Equipment	Fueling stations	15
	Equipment	Scales	15
	Equipment	Bins	15
	Meters	Electrical - Cumulative	20
	Meters	Electrical - Interval	20
	Meters	Gas	20
	Meters	Water	40
	Meters	Parking meters and splitters	20
	Office equipment	Furniture	10
	Office equipment	Office equipment	10
	Protective Services	Fire equipment	12
	Protective Services	Police special equipment	5
	Recreation Equipment	Fitness and wellness	10
	Recreation Equipment	Turf equipment	15
	Recreation Equipment	Ice re-surfacer	10
	Stores		25
	Tools, shop and garage equipment		15
	Construction in progress		
Information Technology			
	Computer Hardware	Hardware	5

	Computer Software	Software	10
	Communications	Radios	10
	Control systems	Control systems	10
	Control systems	Network Infrastructure	10
Vehicles			
	Fleet	Light Duty	10
	Fleet	Medium Duty	10
	Fleet	Heavy Duty	10
	Fleet	Transit Buses	10
	Fire	Light Duty	10
	Fire	Medium Duty	10
	Fire	Heavy Duty - Fire Trucks	25
	Enforcement	Light Duty	5
	Enforcement	Medium Duty	5
	Enforcement	Heavy Duty	5