

Tangible Capital Assets Policy

2B.013

Section: 2.0 General Government and Administrative Services
- B. Finance

Authority: General Manager of Corporate Services

Statement

The Municipal District of Bonnyville (M.D.), in accordance to Section 3150 of the Public Sector Accounting Board Handbook of the Canadian Institute of Chartered Accountants, must comply with the recommendations for the disclosure of tangible capital assets, effective January 1, 2009.

Purpose

The policy is to provide the financial definition of a tangible capital asset within the M.D. and to set internal guidelines on the capitalization thresholds and amortization methods. The guidelines are outlined in *Attachment A* for this policy and are subject to change over time, at the discretion of the Chief Administrative Officer (CAO) in consultation with the municipal auditors, to meet the needs of the municipality.

Definitions

For the purposes of this policy:

- (1) "Tangible capital assets" means non-financial assets having physical substance that:
 - (a) are held for use in the production or supply of goods and services;
 - (b) are held for rental to others;
 - (c) are held for administrative purposes;
 - (d) are held for the development, construction, maintenance or repair of other tangible capital assets;
 - (e) have useful economic lives extending beyond 36 months;
 - (f) are to be used on a continuing basis;
 - (g) are not for sale in the ordinary course of operations.
- (2) "Betterment" is a cost incurred to enhance the service potential of a tangible capital asset. Costs are considered to be part of the cost of a tangible capital asset and would be added to the recorded cost of the related asset.

Procedure

Financial Statements

- (1) The M.D. must meet the following recording requirements for the financial statements:
 - (a) Tangible capital assets should be recorded at cost. If the municipality does not have historical cost accounting records, other methods to estimate the cost and accumulated amortization of the assets will be needed.
 - (b) Initial roadway infrastructure assets shall be valued in accordance with costing formulas provided by the Ministry of Municipal Affairs. As well, initial bridges and

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culverts assets shall be valued in accordance with costing formulas provided by Alberta Infrastructure and Transportation.

- (c) The cost, less any residual value, should be amortized over its useful life in a rational and systematic manner appropriate to its nature and use by the municipality.
- (d) The amortization of the costs should be accounted for as expenses in the statement of operations.
- (e) The amortization method and estimate of the useful life of the remaining unamortized portion of a tangible capital asset should be reviewed on a regular basis and revised when the appropriateness of a change can be clearly demonstrated.
- (f) When conditions indicate that a tangible capital asset no longer contributes to the municipality's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its book value, the cost of the tangible capital asset should be reduced to reflect the decline in the asset's value. The net write-downs of tangible capital assets should be accounted for as expenses in the statement of operations and should not be reversed.
- (g) The difference between the net proceeds on disposal of tangible capital asset and the net book value of the asset should be accounted for as a revenue or expense in the statement of operations.
- (h) Fully amortized assets still in use need to be recorded.
- (i) Tangible capital assets should be accounted for and reported as assets on the statement of financial position.
- (j) The financial statements should disclose, for each major category of tangible capital assets, the total cost, accumulated amortization and net book value at the beginning and end of the period and the total additions, disposals, write-downs and amortization for the period.
- (k) The financial statements should also disclose other information about tangible capital assets such as:
 - (i) amortization methods and rates;
 - (ii) tangible capital assets under construction;
 - (iii) donated tangible capital assets;
 - (iv) the nature of tangible capital assets recorded at a nominal value or considered to be works of art or historical treasures;
 - (v) the amount of interest capitalized in the period.

Capitalization Thresholds

Capitalization thresholds will vary based on the Major Asset Classifications of the municipality. Minor Asset Classifications shall be determined by each department of the municipality on an as-needed basis and must comply with the threshold limits listed.

Betterments are to be capitalized when the unit cost of the betterment meets the betterment definition and meets or exceeds 50% of the threshold limit as listed above.

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Capitalization thresholds are as follows:

01 Engineering Structures	Permanent structural works such as kilometers of roads, bridges, drainage ditches, water and sewer, including plants and infrastructure. This class also includes all land improvements of a permanent nature such as parking lots, landscaping, lighting, pathways and fences.	\$50,000.00
02 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.	\$30,000.00
03 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 structure class.	\$5000.00
04 Land	Land includes land purchased or acquired for value for parks and recreation, building sites, infrastructure, landfills, and other program use, but not land held for resale.	No Minimum
05 Vehicles	Rolling stock that is used primarily for transportation purposes.	\$5000.00
06 Other	Any tangible capital asset that does not fit into another asset classification listed above.	\$5000.00

Amortization Methods and Rates

Amortization will be recorded at 50% of the annual amortization amount in the year of acquisition and disposal. All other amortization rates to be approved by the CAO.

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Policy Review

Within five (5) years from date adopted / amended / reviewed.

For administrative use only:

Previous Policy Number: (prior to July 24, 2019)	10.12.34
Related Documentation: (plans, bylaws, policies, procedures, etc.)	Attachment A: M.D. Amortization and Rates

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Municipal District of Bonnyville Amortization and Rates

Major Class	Minor Class	Description		Useful Life (yrs or %)	Amortization Method
01	01	Engineering Structures	Paved Asphalt Concrete Roads	20	Straight-line
01	01	Engineering Structures	Unpaved Gravel Roads	10	Straight-line
01	01	Engineering Structures	Unpaved Surface-Treated Roads	10	Straight-line
01	01	Engineering Structures	Concrete Curb and Gutter	30	Straight-line
01	01	Engineering Structures	Sidewalk – Concrete	30	Straight-line
01	01	Engineering Structures	Street Lighting	30	Straight-line
01	01	Engineering Structures	Traffic Signals / Controls / Pedestrian Lights	50	Straight-line
01	01	Engineering Structures	Bridges	Variable	Straight-line
01	01	Engineering Structures	Water Wells	40	Straight-line
01	01	Engineering Structures	Water Treatment	40	Straight-line
01	01	Engineering Structures	Water Reservoirs	40	Straight-line
01	01	Engineering Structures	Water Distribution Pump Station	40	Straight-line
01	01	Engineering Structures	Water Distribution Pipe System	40	Straight-line
01	01	Engineering Structures	Sewage Collection System	40	Straight-line
01	01	Engineering Structures	Lift Stations	40	Straight-line
01	01	Engineering Structures	Sewage Lagoons	40	Straight-line
01	01	Engineering Structures	Other	Variable	Straight-line
02	02	Buildings		50	Straight-line
04	04	Land		Unlimited	Not amortized
03	11	Elected Officials – General		20	Straight-line
03	12	Administration – General		20	Straight-line
05	12	Vehicles < 1 ton	Light	10	Straight-line
03	13	Computer Equipment		5	Straight-line
05	21	Fire Trucks < 1 ton	Light	10	Straight-line
05	22	Fire Trucks > 1 ton	Heavy	15	Straight-line
03	23	Fire Equipment – General		10	Straight-line
03	24	Communication Equipment		10	Straight-line
03	26	Public Safety – CPO's		10	Straight-line
05	26	Vehicles < 1 ton	Light (acquired prior to Jan.1/11)	10	Straight-line
05	26	Vehicles < 1 ton	Light (acquired after Dec.31/10)	4	Straight-line
03	31	Public Works – General		10	Straight-line
03	32	Field Equipment		10	% Declining Balance
03	33	Loaders		10	% Declining Balance
03	34	Motor Graders		10	% Declining Balance

Major Class	Minor Class	Description		Useful Life (yrs or %)	Amortization Method
03	35	Packers		10	% Declining Balance
03	36	RV Equipment		10	% Declining Balance
03	37	Shop / Yard Equipment		10	% Declining Balance
03	38	Tankers		10	% Declining Balance
03	39	Tractors		10	% Declining Balance
03	40	Trailers		10	% Declining Balance
05	41	Trucks < 1 ton	Light	10	Straight-line
05	42	Trucks > 1 ton	Heavy	10	Straight-line
03	43	Tractor Crawlers		10	% Declining Balance
03	44	Tractor Scrapers		10	% Declining Balance
03	63	Ag Services Equipment		10	Straight-line
03	72	Parks Equipment		10	Straight-line
03	73	Kinosoo Equipment	Small	10	Straight-line
03	73	Kinosoo Equipment	Large	30	Straight-line