POLICY

Title: Tangible Capital Assets

Policy No: 1017

Approval: County Council

Effective Date: January 1, 2009

Supersedes Policy No:

Mountain View COUNTY

Policy Statement: Mountain View County (the County) will establish a policy concerning the accounting for and management of Tangible Capital Assets (TCA)

Purpose: The purpose of the policy is for Council to set the overall direction for the treatment of TCA which is consistent with the regulations given in Public Sector Accounting Handbook Section 3150 (PS 3150) and that gives the County information about TCA so that Council and Administration can make sound decisions concerning the purchase, disposal and maintenance of TCA.

Principles:

1. PS 3150 establishes the regulations under which the County will be governed.

2. Tangible Capital Assets are non-financial assets having physical substance that:

   - are used on a continuous basis by the County
   - have useful economic lives extending beyond one year
   - are not for resale in the ordinary course of operations

3. As set out in PS 3150, TCA should be recorded at the cost of obtaining the asset or in the case of contributed assets at the fair value of the asset.

4. Subsequent expenditures on a recorded TCA that:

   - increase output or service capacity
   - increase the service life
   - lower associated operating costs
   - improve the quality of the output

   should be classified as betterments and capitalized accordingly. Any other expenditure should be considered a repair or maintenance and should be expensed in the period.

5. TCA should be classified under one of the following major/minor asset classifications:

   - Land
   - Land Improvements
   - Buildings

- Engineered Structures
  - Roadway System
  - Water System
  - Waste Water System
  - Storm Water System
  - Other Utilities System
- Machinery & Equipment
- Vehicles
- Cultural & Historical

6. The cost, less any residual value, of a TCA with a limited life should be amortized over its useful life in a rational and systematic manner.

7. The amortization method and estimate of useful life of the remaining unamortized portion should be reviewed on a regular basis and revised when the appropriateness of a change can be clearly demonstrated. The amortization method and useful life will be established on an asset by asset basis. Although in practice there will likely be similar if not the same amortization methods and useful lives for most assets within a class.

8. Guidelines for the capitalization thresholds, amortization method, and how often these should be reviewed are given in the TCA Procedure.

9. When conditions indicate that the net recorded value of a TCA is greater than the value of the asset to the County, the recorded value should be adjusted as appropriate.

Items not required by PS 3150:

10. Maintenance costs for TCA should be maintained and where appropriate the condition of TCA should be recorded.

11. Where appropriate maintenance schedules should be established.

12. Long range replacement plans should be developed and maintained.

13. When TCA are disposed of they should be disposed of in a manner that maximizes the net sales value/minimizes the net disposal costs.

14. When a TCA is disposed of that has an expected net sales value above the recommended capitalization threshold, the asset shall be disposed of through a public process.

End of Policy:

Approved: March 26, 2008

PROCEDURE

Mountain View COUNTY

Procedure Title: Tangible Capital Assets

Procedure No: 1017-01

Approval: CAO

Effective Date: January 1, 2009

Supersedes Procedure No: New

1. Procedures

1.1 The County should follow the accounting regulations for Tangible Capital Assets (TCA) as established in Public Sector Accounting Handbook Section 3150 (PS 3150).

1.2 As part of the annual budgeting process the long range TCA replacement plans should be reviewed and adjusted.

1.3 As part of the annual budgeting process appropriate annual maintenance for TCA should determined.

1.4 The County should use the following guidelines when determining the capitalization thresholds, depreciation method and how often to review the thresholds and depreciation method:

Major Asset Class	Minor Asset Class	Capitalization Threshold	Amortization Method	Review Schedule
Land		All land will be recorded	N/A	N/A
Land Improvements		$ 5,000	Straight Line	Every 3 years
Buildings		$50,000	Straight Line	Every 5 years
Engineered Structures	Roadway System	$50,000	Straight Line	Every 5 years
	Water System	$50,000	Straight Line	Every 5 years

	Wastewater System	$50,000	Straight Line	Every 5 years
	Storm System	$50,000	Straight Line	Every 5 years
	Other Utilities System	$50,000	Straight Line	Every 5 years
Machinery & Equipment		$ 5,000.	Straight Line	Every 3 years
Vehicles		$ 5,000.	Straight Line	Every 3 years
Cultural & Historical		N/A	N/A	N/A

1.5 Refer to Appendix A for the definitions of the Major and Minor Asset Classes.

1.6 Refer to Appendix B for the recommended Maximum Useful Life for TCA. The County in many cases may use a shorter useful life than the recommended maximum.

PROCEDURE

Appendix A: Definitions

1. Major, minor and subclasses of tangible capital assets will be defined as:

- *Major* — A group of tangible capital assets that is significantly different in design and use.
- *Minor* — A classification within a major class that has unique characteristics.
- *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.

2. Tangible capital assets recorded in the Major classification will include:

- *Land*
- *Land improvements*
- *Buildings*
- *Engineered structures*
- *Machinery and equipment*
- *Vehicles*
- *Cultural and historical assets*

3. Definitions of major asset classifications:

a. Land

Land includes land purchased or acquired for value for parks and recreation, building sites, infrastructure (highways, dams, bridges, tunnels, etc.) and other program use, but not land held for resale.

b. Land improvements

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

c. 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.

d. Engineered structures

Permanent structural works such as roads, bridges, canals, dams, water and sewer, and utility distribution and transmission systems, including plants and substations.

e. 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.

f. Vehicles

Rolling stock that is used primarily for transportation purposes.

g. 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 after they have no residual net book value.

4. Engineered Structures minor asset classifications

Minor classifications in the Engineered Structures major classification will be:

- Roadway system
- Light rail transit system
- Water system
- Wastewater system
- Storm system
- Fibre optics
- Electricity system
- Gas distribution system

Buildings, and machinery and equipment, will be grouped in a subclass for the minor classes of water, light rail transit, wastewater, storm water, electric, gas and fibre optics. This treatment is an exception to the recommended approach to classifying tangible capital assets to better report the cost of distribution and transmission systems.

5. Definitions of Engineered Structures minor classes

a. Roadway system

Assets intended for the direct purpose of vehicle or pedestrian travel or to aid in vehicle or pedestrian travel. Includes roads, bridges, overpasses, ramps, parkades, lights, sidewalks and signage.

b. Light rail transit system

A system to provide light rail transit service to the public. Includes track, stations, tunnels, bridges, lines, fare collection equipment, communications and electrical systems.

c. Water system

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.

d. 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.

e. Storm system

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. Includes mains, services, catch basins, pump and lift stations, outfalls and retention ponds.

f. 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.

g. Electricity system

i. Electrical generation

The large-scale production of electric power for industrial, residential and rural use; generally in stationary plants designed for

that purpose. Includes boilers, turbo generators, combustion turbines, wind turbines and gas compressors.

ii. Electrical transmission

The portion of the system that carries high power over the longest distances and is normally the highest voltage network of an electric utility system. Includes underground and overhead cable, conductors, transformers and towers.

iii. Electrical distribution

The assets that distribute the electricity to consumers from a bulk power station. Includes the substation and the lines and equipment from the substation.

h. Gas distribution system

A system that delivers gas to customers through a system of pipelines, works, plant and equipment. Includes low and high pressure pipe and meters.

6. The Major classifications for tangible capital assets, and the minor classifications under Engineered Structures, should be consistent with other Alberta municipalities for financial reporting.

7. The County may have further Minor and Subclasses as appropriate.

8. The following principles should be considered when determining the level of detail to be used in recording tangible capital assets:

   a. Sufficient detail should be kept to provide the necessary information for an asset management system.
   b. Factors determining further classification are:
      - Different useful life
      - Variable timing of construction; for example, a road may have segments constructed at different time intervals.
      - Better data for costing, determining user fees and analyzing performance of departments, divisions or business units.

PROCEDURE

Appendix B:
Recommended Maximum Useful Life

Asset Classes Major Minor Sub-class One Sub-class Two Sub-class Three	Maximum Useful Life
Land	
Right-of-way	
Undeveloped right-of-way	
Parks	
General	
Cultural & Historical Assets	
Public art	
Historical	
Heritage site	
Land Improvements	
Parking lot	
Gravel	15
Asphalt	25
Playground structures	15
Landscaping	25
Fences	20
Sprinkler systems	25
Golf courses	45
Tennis courts	20
Fountains	20
Lakes/ponds	25
Retaining walls	20
Running tracks	15
Outdoor lighting	20
Airport runways	10
Soccer pitch - outdoor	20
Bike/jogging Paths	
Gravel	15
Asphalt	20
Landfill	
Pits	Volume
Pads	Volume
Transfer stations	25
Construction in progress	

PROCEDURE

Buildings		
Permanent Structures		
Frame		50
Metal		50
Concrete		50
Portable Structures		
Metal		25
Frame		25
Leasehold improvements		Variable
Construction in progress		
Engineered Structures		
Roadway system		
Bridges		Variable
Overpass/interchange		60
Curb & gutter		30
Parkades		50
Roads & streets		
Lanes/alleys		
	ACP - hot mix	20*
	Gravel	15*
	Non-conforming	20*
Local/Collector/Arterial/Major Arterial		
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
Guard rails		30
Ramps		30
Sidewalks & para-ramps		30
Light rail system		65
Construction in progress		

(* subject to weather conditions)

PROCEDURE

Water system	
Distribution 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
Hydrants/fire protection	75
Reservoirs	45
Construction in progress	
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
Construction in progress	
Storm system	
Collection system	
Mains	75
Services	75
Pump, lift and transfer stations	45
Catch basins	75
Outfalls	75
Wetlands	75
Retention ponds	75
Treatment facility	45
Construction in progress	
Fibre optics	30

PROCEDURE

Electrical System	
Electrical generation	
Boilers	30
Turbo generators	30
Combustion turbines	20
Condensate tanks	10
Gas compressors	20
Other	10
Generation Wind/Turbine	30
Construction in progress	
Electrical Transmission	
Structures & improvements	35
Station & line equipment	
Transformers	40
Switchgear	35
Protection systems	20
Insulators	60
Other structures & equipment	35
Towers and fixtures	38
Poles and fixtures	38
Overhead (O/H) conductors & devices	35
Underground (U/G) conductors & devices	40
U/G conduit	40
U/G cable	40
Construction in progress	
Electrical Distribution	
Site development	35
Station & line equipment	
Transformers	40
Switchgear	35
Protection systems	20
Insulators	60
Towers and fixtures	38
Poles and fixtures	38
O/H conductors & devices	35
U/G conductors & devices	40
U/G conduit	40
Construction in progress	
General Plant - Electrical	
Site development	80

Electrical substations	
Site development	35
Station & line equipment	
Transformers	40
Switchgear	35
Protection systems	20
Other structures & equipment	35
Towers and fixtures	38
Poles and fixtures	38
O/H conductors & devices	35
U/G conductors & devices	40
U/G conduit	40
U/G cable	40
Construction in progress	
Gas distribution system	
Structures	75
Transmission	75
Services	75
Medium pressure	36
High pressure	36
Measurement	35
Construction in progress	
Machinery and Equipment	
Heavy construction equipment	Variable
Stores	25
Food services	10
Fire equipment	12
Police special equipment	10
Aircraft	Variable
Boats	25
Fitness and wellness	10
Control systems	5
Communication links	20
SCADA system	10
Fuelling stations	15
Laboratory	10
Communications	
Radios	10
Telephone systems	10
Tools, shop and garage equipment	15
Scales	15
Bins	15

PROCEDURE

Meters	
Electrical	20
Cumulative	20
Interval	20
Gas	20
Water	40
Parking meters and splitters	20
Turf equipment	10
Ice re-surfacer	10
Office Furniture & Equipment	
Furniture	20
Office equipment	10
Audiovisual	10
Photocopiers	5
Computer Systems	
Hardware	5
Software	10
Construction in progress	
Vehicles	
Light duty	10
Medium duty	10
Heavy duty	10
Transit buses	20
Fire trucks	25
Light rail transit cars	40
Construction in progress	

End of Procedure

Approved: March 26, 2008