



POLICY NO: 407

**CATEGORY: TANGIBLE CAPITAL
ASSETS**

DATE OF APPROVAL: MAY 27, 2013

DATE OF REVIEW: March 26, 2024

Purpose:

The purpose of the policy is to provide direction for recognizing and recording Tangible Capital Assets (TCA) on a consistent basis and in accordance with Public Sector Accounting Board (PSAB) 3150.

A number of recommendations for TCA have been established by Alberta Municipal Affairs & Housing (AMAH). These recommendations will be adopted by the Commission.

Tangible Capital Asset:

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

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

Subsequent expenditures on a record TCA that:

- increase output of service capacity
- increase the service life
- lower associated operation 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.

Amortization:

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.

The amortization method and estimate of useful life of the remaining unamortized portion should be reviewed on a regular basis (as outlined in the table below or more frequently if needed) and revised when the appropriateness of a change can be clearly demonstrated.



Tangible Capital Assets – Continued ...

Scope:

This policy addresses the following:

- Asset classifications (major & minor)
- Capitalization threshold for each asset classification
- Amortization method to be used
- Review schedule

The following table* shows the classes, capitalization thresholds and amortization method to be used:

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		\$25,000.	Straight Line	Every 5 years
Engineered Structures	Roadway System	\$25,000.	Straight Line	Every 5 years
	Water System	\$25,000.	Straight Line	Every 5 years
	Wastewater System	\$25,000.	Straight Line	Every 5 years
	Storm System	\$25,000.	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

**Where the above table can not be used, the auditor for the Town will be consulted to assist in establishing the correct accounting procedures for a TCA.*

Capitalization Threshold – Grouped Items:

Assets purchased after December 31, 2008 and are identical with a unit value below the capitalization threshold but have a material value as a group shall be capitalized.

For Recommended Maximum Useful Life, please refer to Appendix F.