

Mackenzie County

Title:	Tangible Capital Assets Accounting	Policy No:	FIN026
---------------	---	-------------------	---------------

Legislation Reference:	Municipal Government Act, section 276(1)
-------------------------------	---

Purpose

To provide guidance for the accounting for tangible capital assets.

Contents:

-
1. Regulatory Framework
 2. Asset Classes
 3. Capitalization Criteria
 4. Valuation
 5. Depreciation
 6. Acquisition, Transfer, and Disposal of Assets
 7. Other Policies Associated With Accounting For TCAs
-

Attachments:

1. NEW TCA ASSET FORM
2. ASSET TRANSFER REQUEST FORM
3. ASSET DISPOSAL REQUEST FORM

1. Regulatory Framework

The County uses the following standards and guidance, to account for Tangible Capital Assets (TCA):

- Mandatory:**
1. *Public Sector Accounting Board (PSAB) 3150, 2007 & as revised / amended from time to time by the Canadian Institute of Chartered Accountants (CICA).*
 2. Other CICA standards that relate to asset accounting.

- Guidelines:**
1. *Tangible Capital Assets Implementation Toolkit, 2008, Alberta Municipal Affairs.*
 2. *Guidelines on Valuations of Tangible Capital Assets for PSAB 3150, 2008, Alberta Municipal Affairs.*

2. Asset Classes

The County uses the following asset classification. This means that the County will use this classification for:

- filing documentation about assets;
- recording values in the accounting system.

Nr.	Class Title	Definition
1	Vehicles	<i>What is included (and what not), is described in the following three documents:</i> PSAB 3150 & TCA Implementation Toolkit (2008) & Guidelines on Valuations of TCA (2008) (this document deals specifically with the engineered structures)
2	Machines & Equipment (incl. graders)	
3	Buildings	
4	Recreation Boards	
5	Traffic Lights	
6	Bridges	
7	Street Lights	
8	Lands	
9	Engineered Structures: Roads	
10	Engineered Structures: Roads Related Drainage	
11	Engineered Structures: Water Treatment System	
12	Engineered Structures: Water Distribution System	
13	Engineered Structures: Wastewater System	
14	Engineered Structures: Wastewater Collection System	
15	Land Improvements	

3. Capitalization Criteria

According to PSAB 3150, 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 extending beyond an accounting period;
- are to be used on a continuing basis; and
- are not for sale in the ordinary course of operations.

Assets that (a) meet the definition of a TCA, and (b) meet the municipality's capitalization threshold (minimum dollar amount), will be capitalized as assets (put on the balance sheet), and will be subsequently depreciated over its useful life as determined at the time of the purchase.

Assets that do not meet these criteria will be treated as expenses in the year of acquisition.

The capitalization thresholds of the municipality's assets are:

Nr.	Class Title	Threshold / Criteria
1	Vehicles	\$5,000
2	Machines & Equipment (including graders)	\$5,000
3	Buildings	\$5,000
4	Recreation Boards	Depends on class (e.g.: vehicles \$5,000)
5	Traffic Lights	\$5,000 Note: Traffic lights can be considered 'group assets'. CICA defines group assets as follows: "They have a unit value below the capitalization threshold, but have a material value as a group. They are homogeneous in terms of their physical characteristics, use, and expected useful life."
6	Bridges	For acquisitions: \$5,000 For subsequent 'significant repairs', expenses over \$5,000 are capitalized (assumption is that these expenses are needed for the normal operation of the bridges and/or ensure that the originally planned service time can be reached).
7	Street Lights	\$5,000
8	Lands	For new acquisitions: \$0 (always recorded & capitalized). Note: Only lands that have been titled to the County will be recorded as TCA asset. The County will also record recent land purchases that are in the process of being titled to the County. Untitled lands under roads are valued at \$1.
9	Roads	Engineered structures: \$5,000
10	Roads Related Drainage	
11	Water Treatment System	
12	Water Distribution System	
13	Wastewater System	
14	Wastewater Collection System	
15	Land Improvements	\$5,000

Special situation 1: purchase of multiple below-threshold assets, on one invoice

If a purchase is made of multiple small assets (each below the threshold) at the same time, then the total purchase price on the invoice will not be capitalized. The reason is that it does not concern one asset, but multiple unrelated small assets that each falls below the capitalization threshold. Example: purchasing three computers at \$2,000 each totals \$6,000. This will not be capitalized because there are three unrelated assets, each of which does not meet the threshold criteria for capitalization.

Special situation 2: one large asset, with a number of components

Significant Individual components of an asset that were acquired as part of a (one) capital asset, where the individual values are less than the threshold, are capitalized as part of the capital assets. However, the aggregated value should still exceed the capitalization threshold.

Significant individual components, of which the individual value exceeds the capitalization threshold, will be depreciated individually over the useful life of that particular component. The useful life of a component will be limited to the useful life of the larger asset should the component's use be dependant on that of the larger asset. Example: payments for a water treatment plant can well include various 'significant individual components' that require different depreciation schedules, for example machinery, building, pipes etc.

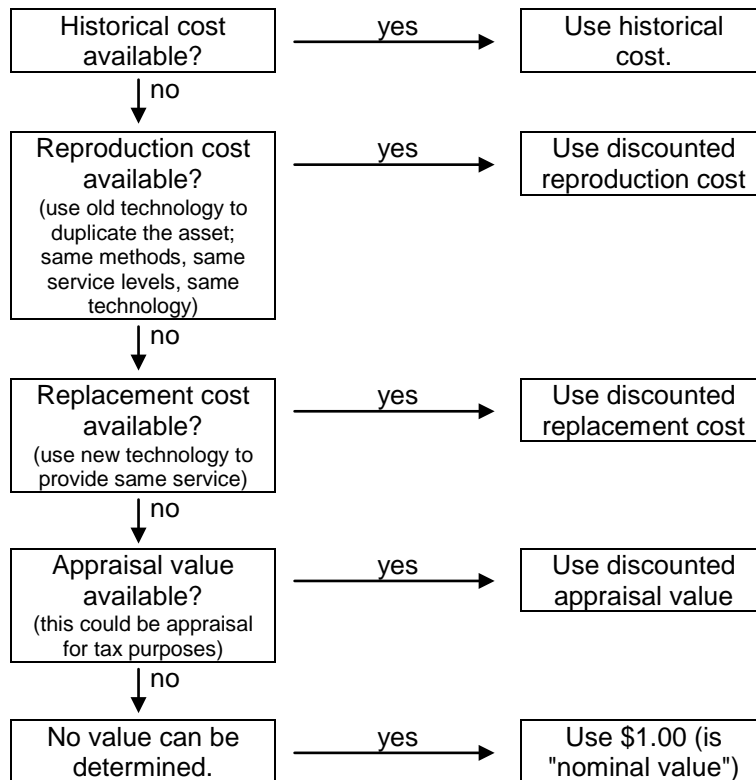
4. Valuation

4.1 General Rule: historical cost

A TCA is valued at historical 'cost'. This includes all expenditures directly attributable to bringing the asset to the location and working condition for its intended use. The cost includes the estimated cost of dismantling and removing the asset including site restoration.

4.2 Initial Valuation: Other Methods when Historical Cost is Not Available

For implementing TCA accounting in the 2009 Financial Statements, the historical cost may not be available. In that case, other valuation methods will be used. The County uses the following decision tree in those cases:



Adapted from: The OMBI Municipal Guide to Accounting for Tangible Capital Assets Version January 2, 2007.

4.3 Initial Valuation for Pre-1995 Assets

For assets that date from before January 1, 1995, the assets are treated as 'contributed assets' as required under PSAB 3150. These assets are valued at the estimated "fair value" on January 1, 1995. These estimates are obtained through one of the following values (on, or as close to January 1, 1995 as possible), and deflating back to January 1, 1995:

- market value, and where that is not available:
- reproduction cost, and where that is not available:
- replacement cost, and where that is not available:
- appraisal value, and where that is not available:
- nominal value of \$1

5. Depreciation

A TCA is depreciated on a systematic basis over its useful life. Each part of a TCA with an individual cost that meets the capitalization threshold is depreciated separately.

- Depreciation starts in the calendar year in which the asset is purchased or put to use.
- Depreciation is calculated on a straight-line basis (the linear method).
- Depreciation is limited to its expected residual value, which will be reassessed on an annual basis.
- The depreciation is charged to the departments that use the assets.
- Depreciation is not calculated in the year of disposal.

Guidelines for the useful life, in years:

1. Vehicles	10 years (25 years for fire trucks)
2. Equipment	5 to 15, depending on the type of equipment (see TCA Guideline for specification)
3. Buildings	50 (25 for portable buildings like trailers)
4. Recreation Boards	depends on the type of asset
5. Traffic Lights	30
6. Bridges	up to 50 years (used remaining life estimates from Alberta Transportation used)
7. Street Lights	25
8. Lands	not applicable
9. Roads	10 to 30, depending on the type of road
10. Roads Related Drainage	50
11. Water Treatment System	45
12. Water Distribution System	75
13. Wastewater Treatment System	45
14. Wastewater Collection System	75
15. Land Improvement	15 to 45, depending on the types of land improvement

6. Acquisition, Transfer, and Disposal of Assets

Finance needs to be kept informed about new assets, transfers, and disposals, in order to keep the TCA registry up to date:

Acquisitions: Have to comply with the County's Purchasing Policy (FIN021). When assets are purchased, the Director/Budget Holder must fill in a "New TCA Asset" form and send that (with supporting purchase documentation) to the Finance Department. The Finance Department will also use other sources to identify new additions (Council minutes, weekly payments, title searches etc.). The Finance Department will add the asset to the registry if the acquisition meets the TCA criteria.

Transfers: The departments that transfer out the assets shall complete and submit the Asset Transfer Request Form to Chief Administrative

Officer or Designate for approval. Chief Administrative Officer or Designate shall be responsible for approving the transfers of an asset. A copy of the approved "Asset Transfer Request Form" shall be submitted to the County's Finance Controller and the Manager/Director of the receiving department. The Finance Department will make the necessary adjustments to the TCA registry to reflect the transfers.

Disposals: All asset disposals shall be according to FIN029 Asset Disposal Policy.

Relationship with Insurance

The departments that acquire or dispose TCA assets shall send a copy of the New TCA Asset Form or approved Asset Disposal Request Form to the Director of Corporate Services.

7. Other Policies Associated With Accounting For TCAs

FIN021	<i>Account Code Structure</i>	Defines the structure (classification) of the County's accounting system.
FIN025	<i>Purchasing policy</i>	Provides rules for who can make purchases and what procedures are to be followed.
FIN029	<i>Asset Disposal Policy</i>	Provides a framework and guidance for the disposal of county's assets.
ADM001 to ADM003	<i>Vehicle usage, maintenance, and replacement policies</i>	Provides guidance for vehicle usage, maintenance and replacement.

	Date	Resolution Number
Approved	2008-01-30	08-01-056
Amended	2009-12-08	09-12-1083
Amended	2011-11-30	11-11-946
Amended	2017-03-14	17-03-183