

TOWN OF STETTLER

<u>Prepared by:</u>	Administration	<u>Number:</u>	V-2(a)
<u>Adopted by:</u>	Town of Stettler Council	<u>Original Policy:</u>	2010 12 21
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		<u>Current Policy:</u>	2025 08 19

Title: **Tangible Capital Assets**

Purpose: To prescribe the accounting treatment for recognizing and recording tangible capital assets on a consistent basis and in accordance with CICA Public Sector Accounting Handbook Section 3150.

The principle issues in accounting for tangible assets are the recognition of the assets, the determination of their carrying amounts and amortization charges and the recognition of any related impairment losses, so that users of the financial statements can discern information about the municipality's investment in tangible capital assets and the changes in such investment.

Scope: This policy applies to all departments within the Town of Stettler.

Definitions:

Tangible Capital Assets – Assets having physical substance that are used on a continuing basis in the Town's operations, and have useful lives extending beyond one year, excluding those assets that are held for re-sale in the ordinary course of operations.

Betterments – Subsequent expenditures on tangible capital assets that increase previously assessed physical output or service capacity; lower associated operating costs; extend the useful life of the asset' or improve the quality of the output. Any other subsequent expenditure will be considered a repair or maintenance and recorded as an operating expense in the period it is incurred.

Fair Value – 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.

Policy Statement:

Capitalization – Tangible capital assets will be capitalized, recorded in the tangible capital asset sub-ledger, according to the following thresholds:

Tangible capital assets, engineered structures in particular, will be accounted for using the network approach, where the major components of the structure will be recorded as a single asset.

The Town will apply these thresholds to each asset individually. There will be no consideration given to pooling of assets in the application of these thresholds.

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 5 years
Buildings		\$5,000	Straight Line	Every 5 years
Engineered Structures	Roadway System	\$25,000	Straight Line	Every 5 years
Engineered Structures	Water System	\$25,000	Straight Line	Every 5 years
Engineered Structures	Wastewater System	\$25,000	Straight Line	Every 5 years
Engineered Structures	Storm System	\$25,000	Straight Line	Every 5 years
Machinery & Equipment		\$5,000	Straight Line	Every 5 years
Vehicles		\$5,000	Straight Line	Every 5 years

Categories – A category of assets is a grouping of assets of a similar nature or function in the Town's operations. The major and minor classes as listed in Appendix A may be used by the Town of Stettler.

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 is the gross amount of consideration paid to acquire the asset. It includes all non-refundable taxes and duties, freight and delivery charges, installation and site preparation costs, etc. It is net of any trade discounts or rebates.

Cost of land includes purchase price plus legal fees, land registration fees, transfer taxes, etc. Costs would include any costs to make 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 purchase price, it is necessary to allocate the purchase price to the various assets acquired. Allocation should be based on the fair value of each asset at the time of acquisition or some other reasonable basis if fair value is not readily determinable.

Acquired, Constructed or Developed Assets – Cost includes 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 may be capitalized. Capitalization of general administrative overheads is not allowed.

Capitalization of carrying costs ceases when no construction or development is taking place or when tangible capital asset is ready for use.

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 should be capitalized.

Cultural & Historical – Works of art and historical treasure are property that has cultural, aesthetic or historical value that is worth preserving perpetually. The existence of such property will be disclosed in the notes to the financial statements. They would not be recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefit associated with such property cannot be made.

Amortization

The cost, less any residual value, of a tangible capital asset with a limited life will be amortized over its useful life in a rational and systematic manner appropriate to its nature and use. The amortization method and estimate of useful life of the remaining unamortized portion will be reviewed on a regular basis and revised when the appropriateness of a change can be clearly demonstrated.

Useful life is normally the shortest of the asset's physical, technological, commercial or legal life.

The Town uses a straight-line method for calculating the annual amortization.

The straight-line method assumes that the economic usefulness is the same each year.

The amortization amount is determined by dividing the asset's original cost, less any residual value, by its estimated useful life in years.

The Town uses an estimated useful life not greater than the recommended maximum life in Appendix A.

In the year of acquiring an asset, putting an asset into service or disposing of an asset, the Town records 100% of the annual amortization amount.

Disposal – When tangible capital assets are taken out of service, destroyed or replaced due to obsolescence, the department head must notify Financial Services of the asset's description and effective date. The Financial Services department is responsible for adjusting the tangible capital asset sub-ledger and recording a loss or gain on disposal.

Appendix A: Recommended Maximum Useful Life

Land

All	n/a
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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
Transfer Stations	25

Buildings

Permanent Structures	
- Frame	50
- Metal	50
- Concrete	50
Portable Structures	
- Metal	25
- Frame	25

Vehicles

Ambulances	7
Light Duty	10
Medium Duty	10
Heavy Duty	10
Fire Trucks	25

Appendix A: Recommended Maximum Useful Life

Engineered Structures

Roadway System

- Bridges	Variable
- Overpass/Interchange	60
- Curb & Gutter	30
- Roads & Streets	
- Lanes/Alleys	
ACP – Hot Mix	20*
Gravel	15*
Nonconforming	20*
- Local/Collector/Arterial/Major	
Arterial Surface	
Concrete	30*
ACP – Hot Mix	20*
ACP – Cold Mix	10*
Chip Seal	10*
Oil	5*
Gravel	25*
Sub-Surface	40*
- Road Signs	
- Traffic Control	30
- Information	30
- Lights	
- Decorative	30
- Street	30
- Traffic	30
- Guard Rails	30
- Ramps	30
- Sidewalks & Para-Ramps	30

(* Subject to Weather Conditions)

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

Appendix A: Recommended Maximum Useful Life

Engineered Structures (con't)

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

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

Machinery and Equipment

Heavy Construction Equipment	Variable
Stores	25
Food Services	10
Fire Equipment	12
Police Special Equipment	10
Fitness and Wellness	10
Control Systems	5
- Communication Links	20
- SCADA System	10
Fuelling Stations	15
Communications	
- Radios	10
- Telephone Systems	10
Tools, Shop & Garage Equipment	15
Meters - Water	40
Turf Equipment	10
Ice Re-Surfacer	10
Office Furniture	20
Office Equipment	10
- Audiovisual	10
- Photocopiers	5
Computer Systems	
- Hardware	5
- Software	10