
Procedure Title: Tangible Capital Assets
Policy: 1300-02
Adopted: December 13, 2011
Amended:



POLICY STATEMENT:

Only items to which the Village has title to and meet the definition of the following will be recorded a tangible capital asset.

DEFINITION:

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

- a. 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.
- b. have useful economic lives extending beyond an accounting period.
- c. are to be used on a continuing basis; and
- d. are not for sale in the ordinary course of operations.

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.

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

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

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

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.

Vehicles: Rolling stock that is used primarily for transportation purposes.

Cultural and Historical: Works of art and historical treasures that have cultural, aesthetic or historical value that is 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.

Transferred Capital Assets are assets which are transferred or donated from third parties and meet the requirements will be capitalized.

CONDITIONAL GRANTS:

- a. Where a conditional grant is given by the Village to another municipality or organization for the acquisition of an asset, the asset will not be considered a capital asset of the Village unless the Village retains custody, maintenance and control.
- b. If the Village does not maintain or manage the asset, costs associated with the Asset will not be capitalized.
- c. A Betterment is a cost incurred to enhance the service potential of a Tangible Capital Asset. Enhanced service potential occurs when there is an increase in assessed physical output; associated operating costs are lowered; useful life is extended or the quality of the output is improved.

Capitalization Threshold: is defined as the minimum value of an expenditure which meets the criteria of a tangible capital asset and will be recorded as a tangible capital asset.

- a. There will not be a capitalization threshold for "Land".

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- b. All assets within a major asset class should have the same capitalization threshold.
- c. Expenditures that meet both the criteria of a tangible capital asset and exceed the following suggested capitalization thresholds are to be recorded as a tangible capital asset.

ASSET DESCRIPTION	RURAL MUNICIPALITY
Land	-
Land Improvements	2,000
Buildings	2,000
Engineered Structures	2,000
Machinery and Equipment	2,000
Vehicles	2,000

- d. If the asset is out of the direct control of the Village, but the Village still retains ownership and maintenance of the asset then the capitalization threshold will be doubled.

Major, minor and sub-classes 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.

Sub-class: A further classification that may be required due to unique tangible capital asset criteria, applications, methodologies and asset lives. There is the option to further classify into sub-class one, sub-class two, sub-class three, etc.

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Tangible Capital Assets recorded in the Major classification will be as defined in **Tangible Capital Asset Definition:**

- Land
- Land Improvements
- Buildings
- Engineered Structures
- Machinery and Equipment
- Vehicles
- Cultural and Historical

The Village recognizes that for asset management purposes there will be minor classification, as defined in Policy:

Useful Life: is the estimate of either the period over which a tangible capital asset is expected to be used by the Village, or the number of production or similar units that can be obtained from the tangible capital asset. The life of a tangible capital asset, other than land, is finite, and is normally the shortest of the physical, technological, commercial and legal life.

Amortization: Systematic and rational basis for allocating the cost of a tangible capital asset, less any residual value, over its useful life.

Residual Value: is the estimated net realizable value of a tangible capital asset at the end of its useful life to the Village.

Land has an unlimited life and is not depreciable asset; therefore, land will have no amortization method, two Amortization methods will be used:

- a. **Straight-Line:** The straight-line method assumes that the asset's economic usefulness is the same each year and the repair and maintenance expense is essentially the same each period. It is determined by dividing the asset's original cost by its estimated life in years.

The Village will determine the assets useful life using "**Schedule A**" as a guideline. A longer than maximum useful life cannot be used without documentation and proof backing up the new useful life.

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- b. **Unit of Use or Output:** (Recommended – stay straight line for all) This unit of use or output method determines depreciation as a function of use or productivity. It is used for assets which deteriorate based on usage and may be designed to produce a finite amount of product or service. This method determines depreciation based on asset output by dividing an asset's cost by its total expected productive output and multiplying the cost per unit by the actual production to date.

The following amortization methods will be used for each Major and Minor classes:

Land Improvements -Straight-Line

Building-Straight-Line

Engineering Structures:

- Roadway System-Straight-Line
- Water System-Straight-Line
- Wastewater System -Straight-Line

Machinery and Equipment:

- Heavy Duty-Unit of use or Output (**see above**)
- Other Equipment-Straight-Line

Vehicles-Straight-Line

Cultural and Historical assets are only recognized in the notes, not on the financial statement and are not amortized.

Amortization amount will be recorded beginning in the year following the year of acquisition; and no amortization amount will be recorded in the year of disposition.

Amortization & Useful Life policy is scheduled for review every five years.

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SCHEDULE "A"

Recommended: Maximum Useful Life

<p style="text-align: center;">Asset Classes</p> <p>Major</p> <p style="padding-left: 40px;">Minor</p> <p style="padding-left: 80px;">Sub-class One</p> <p style="padding-left: 120px;">Sub-class Two</p> <p style="padding-left: 160px;">Sub-class Three</p>	<p style="text-align: center;">Maximum Useful Life</p>
<p>Land</p> <p style="padding-left: 40px;">Right-of-Way</p> <p style="padding-left: 40px;">Undeveloped right-of-way</p> <p style="padding-left: 40px;">Parks</p> <p style="padding-left: 40px;">General</p>	
<p>Cultural and Historical</p> <p style="padding-left: 40px;">Public Art</p> <p style="padding-left: 40px;">Historical</p> <p style="padding-left: 40px;">Heritage Site</p>	
<p>Land Improvements</p>	
<p style="padding-left: 40px;">Parking Lot:</p> <p style="padding-left: 80px;">Gravel</p>	<p style="text-align: center;">15</p>

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Asphalt	25
Playground Structures	10
Landscaping	25
Fences	20
Sprinkler Systems	25
Golf Courses-includes paths, fairways, greens, and irrigation systems	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

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Recommended: Maximum Useful Life - *Continued*

Asset Classes		Maximum Useful Life
Major		
Minor		
Sub-class One		
Sub-class Two		
Sub-class Three		
Construction in Progress		
Buildings		
Permanent Structures		
Frame		50
Metal		50
Concrete		50
Portable Structures		
Metal		25
Frame		25
Leasehold Improvements		Variable
Construction in Progress		
Engineered Structures		
<u>Roadway Systems:</u>		

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Bridges	Variable
Overpass / Interchange	60
Curb and Gutter	30
Parkades	50
Roads and Streets (<i>*subject to weather conditions</i>)	
Lanes / Alleys:	
ACP – hot mix	40*
Gravel	40*
Non-Conforming	20*
Local / Collector / Arterial / Major Arterial:	
Concrete	40*
ACP – hot mix	40*
ACP – cold mix	10*
Chip seal	10*
Oil	5*
Gravel	40*
Road Signs:	
Traffic Control	30
Information	30

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Recommended: Maximum Useful Life - *Continued*

Asset Classes	
Major	Maximum Useful Life
Minor	
Sub-class One	
Sub-class Two	
Sub-class Three	
Lights:	
Decorative	30
Street	30
Traffic	30
Guard Rails	30
Ramps	20
Sidewalks and Para Ramps (Concrete)	30
Sidewalks and Para Ramps (Asphalt)	20
Rail System	40
Construction in Progress	
<u>Water System:</u>	
Distribution System:	

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Mains	75
Services	75
Pump, Lift and Transfer Stations	35
Plants and Facilities:	
Structures	40
Treatment Equipment:	
Mechanical	40
Electrical	40
General	40
Pumping Equipment	40
Hydrants / Fire Protection	40
Reservoirs	40
Construction in Progress	
<u>Wastewater System:</u>	
Collection System	
Mains	75
Services	75
Pump, Lift and Transfer Stations	35
Plants and Facilities:	
Structures	40
Treatment Equipment:	
Mechanical	40
Electrical	40

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General	40
Pumping Equipment	40
Lagoons	40
Construction in Progress	
<u>Gas Distribution System:</u>	
Structures	75
Transmission	75
Services	75
Medium Pressure	36
High Pressure	36
Measurement	35
Construction in Progress	
Machinery and Equipment	
Heavy Construction Equipment	Variable
Inventory (Stores)	25
Agricultural Equipment	Variable
Fire Equipment	12
Police Special Equipment	10
Boats	25
Fitness and Wellness	10
Control Systems	5
Communication Links	20
SCADA System	10

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Fueling Stations	15
Laboratory	10
Communications:	
Radios	10
Telephone Systems	10
Tools, Shop and Garage Equipment	15
Scales	15
Bins	15
Meters	20

Asset Classes	
Major	Maximum Useful Life
Minor	
Sub-class One	
Sub-class Two	
Sub-class Three	
Water	40
Parking Meters and Splitters	20
Turf Equipment	10
Ice Re-surface	10
Office Furniture and Equipment:	
Furniture	20

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Office Equipment	5
Audio/Visual	10
Photocopiers	5
Computer Systems:	
Hardware	5
Software	10
Construction in Progress	
Vehicles	
Light Duty	10
Medium Duty	10
Heavy Duty	10
Fire Trucks	25
Construction in Progress	