

**TANGIBLE CAPITAL ASSET POLICY**  
**Council Policy No. 126/25**

**PURPOSE:**

This policy will provide guidance to staff for the accounting of tangible capital assets. The principal issues in accounting for tangible assets are the recognition of the assets, the determination of their carrying amounts, determination of amortization charges, accurately recording disposals and the recognition of any related impairment losses. In addition, this document covers policies and procedures to protect and control the use of all tangible capital assets, provide accountability over tangible capital assets and gather and maintain information needed to prepare financial statements.

**SCOPE:**

This policy applies to all City departments, boards, agencies, and other organizations falling within the reporting ownership of the City.

**DEFINITIONS:**

“Tangible Capital Asset”	A non-financial asset having physical substance that: <ul style="list-style-type: none"> <li>✓ Is used on a continuing basis in the City’s operations,</li> <li>✓ Has a useful life that extends beyond one year; and</li> <li>✓ Is not held for resale in the ordinary course of operations.</li> </ul>
“Betterment”	Subsequent expenditures on a tangible capital asset that: <ul style="list-style-type: none"> <li>✓ Increases previously assessed output or service capacity,</li> <li>✓ Lowers associated operating costs,</li> <li>✓ Extends the useful life of the asset; or</li> <li>✓ Improve the quality of the output.</li> </ul>
“Cost”	The gross amount of consideration given to acquire, construct, develop or better a tangible capital asset and includes all costs directly attributable to acquisition, construction, development, or betterment of the tangible capital asset.
“Fair Value”	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.
“Capital Lease”	A non-financial asset that has physical substance and a useful life extending beyond an accounting period and is held under lease by the City for use, on an ongoing basis, in the production or supply of goods and services. Under the terms and conditions of the lease, substantially all of the benefits and risks incident to ownership are, in substance, transferred to the municipality without necessarily transferring legal ownership.

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DEFINITIONS: (continued)

“Net Book Value”	The cost of a tangible capital asset less accumulated amortization and the amount of any write-downs.
“Useful Life”	The estimated period over which a capital asset is expected to be used by the City. A tangible capital asset’s useful life may be shorter than the actual life of the asset due to limitations on the physical, technological, commercial, or legal life of the asset.
“Amortization”	The accounting process of allocating the cost less residual value of a tangible capital asset to operating periods as an expense over its useful life in a rational and systematic manner appropriate to its nature and use.
“Residual Value”	The estimated net realizable value of a tangible capital asset at the end of its useful life to the City.
“Write-down”	A reduction in the cost of a tangible capital asset to reflect the decline in the asset’s value due to a permanent impairment.

POLICY STATEMENTS:

**A) Valuation**

Tangible capital assets should be recorded at cost plus all charges directly attributable to place the asset in its intended location and condition for use.

The cost of purchased assets is comprised of the consideration paid to acquire the item including all non-refundable taxes, duties, freight and preparation costs net of any discounts or rebates. For land, the cost will include expenses such as legal fees, land registration and transfer taxes as well as any costs that make the land suitable for its intended use, such as demolition costs or site improvements (including reclamation) that become part of the land.

The cost of constructed or developed assets will include all costs directly attributable to the asset constructed or developed including, but not limited to, construction costs, professional fees, and architectural costs.

Donated or contributed assets received will be recorded at their fair value at the date it was received. Fair value may be determined using market or appraisal values.

The initial capitalization of existing assets will be valued at cost plus all charges directly attributable to placing the asset in its intended location and condition for use. If the actual proof of the value is nonexistent then the asset will be valued at discounted replacement cost.

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POLICY STATEMENTS:

**A) Valuation (continued)**

Due to the age and nature of land under roads and sidewalks, all City land that is under roads and sidewalks is considered to have a nominal value of \$1.00.

**B) Capitalization**

Thresholds are established for a minimum dollar value and number of years of useful life. Tangible Capital Assets should be capitalized according to the following thresholds:

ASSET CATEGORY	THRESHOLD
Land	Capitalize All
Land Improvements	\$20,000
Buildings – new construction	\$50,000
Building Improvements	\$20,000
Vehicles, Machinery and Equipment	\$10,000
IT Equipment	\$10,000
Pooled Purchases	\$25,000
Infrastructure (Roads, Water, Sewer)	\$50,000

**C) Categories**

A category of assets is a grouping of assets of a similar nature or function in the City's operations. The following categories shall be used:

1. Land  
All land owned by the City is segmented by each parcel held.
2. Land Improvements  
Land improvements are segmented by site and consist of betterments of a permanent nature to land such as fences, landscaping, outdoor lighting, pathways, parking lots, sports fields, signs, athletic fields, athletic outdoor courts, and boat docks.
3. Buildings  
Building structures are segmented by envelope, roof, equipment, unit and site and consist of permanent, temporary, or portable building structures, such as offices, garages, warehouses, outdoor washrooms, recreation facilities intended to shelter persons and/or goods, machinery, equipment and working spaces.

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POLICY STATEMENTS: (continued)

**C) Categories** (continued)

4. **Building Improvements**  
Building improvements (betterments) that extend the useful life should be capitalized. Examples of building improvements include roofing projects, major energy conservation projects, or remodeling and replacing major building components.
5. **Vehicles, Machinery and Equipment** include the following:  
Vehicles, machinery and equipment is segmented on a per unit basis and consist of machinery that is heavy equipment for maintaining infrastructure, waste and water treatment plants, fire, ice-making equipment, passenger vehicles, trucks, playground equipment and trailers  
  
IT infrastructure includes software, hardware, infrastructure, computers, printers, scanners, telephone network, and photocopiers. Segmentation for the network is by hub, and each software application. Computers, printers, scanners, photocopiers, etc. are capitalized if they individually exceed the threshold limit.
6. **Road Infrastructure**  
Roads and streets are segmented by arterial, industrial, collector, local, lanes, sidewalks, and storm drainage and are measured in kilometers. Streetlights, traffic lights and bus shelters are segmented on a per unit basis or as grouped assets.
7. **Water Infrastructure**  
Water system components are segmented by water mains, pump stations, valves, hydrants transmission lines, distribution lines, services and is measured in kilometers.
8. **Sewer Infrastructure**  
Sewer system components are segmented by collection lines, trunk lines, force lines, pump stations, and services and are measured in kilometers.
9. **Work in Progress**  
Work-in-Progress (WIP) represents the costs incurred to date on a project, which is not substantially complete. All costs incurred for WIP must be recorded in the Statement of Financial Position for the accounting period, and amortization begins in the year of completion.

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POLICY STATEMENTS: (continued)

**D) Amortization**

The cost, less any residual value, of a tangible capital asset with a limited life must be amortized over its useful life in a rational and systematic manner appropriate to its nature and use. The City uses the straight-line method to account for amortization of assets with the exception of land, which is not amortized as it normally has an unlimited life.

A full year of amortization will be recorded in the year of acquisition, regardless of at what point in the fiscal year the asset was put into use.

No amortization will be recorded in the year of disposal.

A general guideline for determining the estimated useful life of an asset is attached as Appendix 'A.'

**E) Write Downs and Disposals**

When tangible capital assets are disposed of, scrapped, dismantled, or replaced due to obsolescence, the department head or designate must notify the Director of Finance, or designate, of the asset description and effective date of disposal. The Finance department is responsible for adjusting the asset registers and accounting records recording a gain or loss on disposal.

Disposals of tangible capital assets must comply with the City's policies and procedures.

A write down of a tangible capital asset would occur when the netbook value exceeds the fair value of the asset. A write down is caused by a permanent impairment of the assets value.

**F) Additions to Existing Assets**

When additions to existing assets are capitalized, it must be assessed whether the addition extends the useful life of the original asset. A revision in useful life will be accounted for prospectively, with amortization being calculated on the assets net book value in the year of the change. If it is determined the addition has no effect on the original assets useful life, the addition will be amortized at the rate of the original assets remaining useful life.

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<b>SCHEDULE A – ASSET USEFUL LIFE (GENERAL GUIDELINES)</b>	
<b><u>ASSET TYPE</u></b>	<b><u>DEPRECIABLE LIFE IN YEARS</u></b>
LAND	Not Depreciated
<b>LAND IMPROVEMENTS</b>	
Land Improvements – structure	30
Land Improvements – groundwork	40
Boat docks	40
<b>BUILDING STRUCTURE</b>	
Buildings	50
Bus Shelter	20
Generator	15
HVAC	10
Water Reservoir	75
<b>MACHINERY &amp; EQUIPMENT</b>	
Light Vehicles	10
Heavy Vehicles	10
Tractors/Backhoes/Loaders/Forklifts	10
Streetsweepers/Ice Machines (i.e. Olympia, Zamboni etc.)	10
Graders	10
Mowing Equipment	10
Miscellaneous Equipment	10
Snowblowers	10
Trailers	20
Sewer Equipment	10
Playground Equipment	15
Fire Department Light Vehicles	10
Fire Trucks	20
Fire Department Rescue Vehicle	15
Fire Department Trailers	20
Phone System & Equipment	20
IT Infrastructure Hardware	5
IT Infrastructure Software	10

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<b>SCHEDULE A – ASSET USEFUL LIFE (GENERAL GUIDELINES)</b>	
<b>ASSET TYPE</b>	<b>DEPRECIABLE LIFE IN YEARS</b>
<b>WATER INFRASTRUCTURE</b>	
Water Main Pipe Material	
PVC	80
Other	60
<b>SANITARY SEWER INFRASTRUCTURE</b>	
Sanitary Sewer Pipe Material	
PVC	80
HDPE	90
Lagoons	50
Other	50
<b>SANITARY FORCE MAIN INFRASTRUCTURE</b>	
Sanitary Force Main Pipe Material	
PVC	40
HDPE	40
<b>STORM SEWER INFRASTRUCTURE</b>	
Storm Sewer Pipe Material	
AC/ASP-CSP/CONC/Epoxy CSP	50
PVC/Blue Seal/Boss 2000/Hope/SOL-FLO/ULTRA-FLO/ULTRA-RIB	80
CSP	30
WOOD	60
<b>ROAD INFRASTRUCTURE</b>	
Road Components	
Asphalt – Local/Collector Roads	40
Asphalt – Arterial Road	30
Asphalt -- Overlays	10
Base – Local /Collector Roads	80
Base – Arterial Road	60
Lane – Gravel/Paved	60
Sidewalks, Curb & Gutter	50
Trail – Asphalt	30
Trail – Concrete	50
Trail – Gravel	40
Streetlights/Traffic Lights	35