



LAC LA BICHE COUNTY POLICY

TITLE: TANGIBLE CAPITAL ASSETS	POLICY NO: CS-10-006
RESOLUTION: 10.007	EFFECTIVE DATE: JANUARY 12, 2010
LEAD ROLE: MANAGER, FINANCE	NEXT REVIEW DATE: DECEMBER 1, 2010
SPECIAL NOTES/CROSS REFERENCE: 09.115, CS-12-007	AMENDMENT DATE:

POLICY STATEMENT:

Lac La Biche County believes in the need for defined accounting treatment for tangible capital assets so that users of the financial report can discern information about the investment in property, plant and equipment and changes in such investment. The principal issues in accounting for tangible capital assets are the recognition of the assets, the determination of their carrying costs and amortization charges and the recognition of any related losses or gains.

SCOPE:

This policy applies to all County departments, boards and commissions, agencies and other organizations falling within the reporting entity of the County.

DEFINITIONS:

Tangible Capital Assets:

Assets having physical substance that;

- a. Are used on a continuing basis in the County's operations,
- b. Have useful lives extending beyond one year,
- c. Are not held for resale in the ordinary course of County operations.

Betterments/Improvements:

Subsequent expenditures on tangible capital assets that;

- a. Increase previously assessed physical output or service capacity,
- b. Lower associated operating costs,
- c. Extend the useful life of the asset; or
- d. Improve the quality of the output.

Any other expenditure would be considered a repair or maintenance and expensed in the period.

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.

Capital Lease:

A capital lease is a lease with contractual terms that transfer substantially all the benefits and risk inherent in ownership of property to the County. For substantially all of the benefits and risks of ownership to be transferred to the lessee, one or more of the following conditions must be met;

- a. There is reasonable assurance that the County will obtain ownership of the leased property by the end of the lease term.
- b. The lease term is of such duration that the County will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span.
- c. The lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement.

PROCEDURE:

1. CAPITALIZATION

Tangible capital assets should be capitalized (recorded in the fixed asset sub-ledger) according to the following thresholds:

Asset Description/Category	Threshold
Land	-
Land Improvements	5,000
Buildings	50,000
Engineered Structures	50,000
Machinery & Equipment	5,000
Vehicles	5,000

2. AMORTIZATION METHOD

All tangible capital assets subject to amortization shall be amortized using the straight-line method. The County does not assume any residual value on its assets at the end of the asset’s useful life.

The County shall record 50% of the annual amortization amount in the first year of putting an asset to service and 50% in the year of disposal regardless of when within fiscal year an asset is put to use or disposed of.

3. ASSET CLASSIFICATION

The major asset classifications are:

- a. Land
- b. Land Improvements

- c. Buildings
- d. Engineered Structures
- e. Machinery & Equipment
- f. Vehicles
- g. Cultural and Historical Assets

Definitions of major asset classes:

Land: Land includes land purchased or acquired for value for parks and recreation, building sites, infrastructure (highways, dams, bridges, tunnels and the like) and other program use. This does not include 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.

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

Machinery & Equipment: Equipment that is heavy equipment for constructing infrastructure, smaller equipment in buildings and offices, furnishings, computer hardware and software.

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

Cultural and Historical Assets: Works of art and historical treasures that have cultural, aesthetic or historical value that are worth preserving perpetually. These would include buildings declared as heritage sites. This group of assets are not recognized as tangible capital assets in financial statements but their existence is disclosed in the notes to financial statements.

Engineered Structures Minor Asset Classifications

Minor classifications in the Engineered Structures are;

- a. Roadway system
- b. Light rail transit system
- c. Water system
- d. Wastewater system
- e. Storm system
- f. Fibre optics/communication system
- g. Electricity system
- h. Gas distribution system

To better report the cost of distribution and transmission system, the County shall record buildings, and machinery and equipment in a subclass for each of the minor engineered structures.

Definitions of Engineered Structures minor classes;

Roadway system: Assets intended for the direct purpose of vehicle or pedestrian travel or to aid in vehicle or pedestrian travel. This class includes roads, bridges, overpasses, ramps, lights, sidewalks and signage.

Water system: These are systems for the provision of water through pipes or other constructed convey. It is normally comprised of assets for intake, distribution, storage and treatment of safe portable water. This also includes mains, services, pump and lift stations, plants and equipment, reservoirs and fire hydrants.

Wastewater system: Wastewater system is defined as water that has been used for household, business and other purposes, which flows from private plumbing systems to public sanitary sewers and on to treatment plant. This system is comprised of assets used for the collection and treatment of non-potable water intended for return to a natural water system or other originating water source or used for other environmentally approved purposes. This class includes mains, services, pump and lift stations, plants and equipment and lagoons.

Storm system: This class comprise assets used for the collection, storage and transfer of water as a result of rain, flood or other external source to a natural water system. This includes mains, services, catch basins, pump and lift stations, outfalls and retention ponds.

Fibre optics: Fibre optics is defined as technology that uses glass or plastic threads (fibres) to transmit data. A fibre optic cable consists of a bundle of threads, each capable of transmitting messages modulated onto light waves. This system is comprised of the assets necessary to transmit data through a fibre optic cable.

Electrical system: i.) *Electrical generation*: These are large scale production of electric power for industrial, residential and rural use; generally in stationary plants designed for that purpose. This class includes boilers, turbo generators, combustion turbines, wind turbines and gas compressors. ii.) *Electrical transmission*: The portion of the system that carries high power over the longest distances and is normally the highest voltage network of an electric utility system. This class includes underground and overhead cable, conductors, transformers and towers. iii.) *Electrical distribution*: These are assets that distribute the electricity from a bulk power station. This includes the substation and the lines and equipment from the substation.

Gas distribution system: This is a system that delivers gas to customers through pipelines, works, plant and equipment. This includes low and high pressure pipes and meters.

4. 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. This includes all non-refundable taxes and duties, freight and delivery charges, installation and site preparation costs. It is net of any trade discounts or rebates.

Cost of land includes purchase price plus legal fees, land registration fees, and transfer taxes. Cost also includes any costs to make the 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 price, the cost will be allocated to each individual asset based on the fair value of each asset at the time of acquisition or some other reasonable proportional basis.

Acquired, Constructed or Developed Assets:

Costs include 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 are capitalized. The County shall not capitalize carrying costs after construction or development is complete and the asset is ready for intended use. The County does not capitalize general administrative overhead.

Capitalization of Interest Costs:

The County shall capitalize all borrowing costs incurred for acquisition, construction and production of an asset that takes a substantial period of time to get ready for its intended use. However, no interest will be capitalized in the following instances;

- a. During periods in which construction is suspended and active development is interrupted for more than a twelve month period,
- b. When substantially, all of the activities necessary to prepare an asset for its intended use are complete.

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, incurred to prepare an asset to its intended use condition will be capitalized.

5. ESTIMATED USEFUL LIFE

Estimated useful life for each asset category is provided in APPENDIX A.

6. INVENTORY CONTROL

Each manager will be the custodian of tangible capital assets acquired through a budget under their control. At the end of each year, sectional managers shall cause undertaking of a physical confirmation of all tangible assets under their control.

“Original Signed”

Chief Administrative Officer

January 22, 2010

Date

“Original Signed”

Mayor

January 22, 2010

Date

Appendix A

Lac La Biche County Tangible Capital Assets - Estimated Useful life Schedule

Major	Minor	Sub-class (One)	Sub-class (Two)	Sub-class (Three)	Estimated Useful Life
Land					
				Right-of-way	-
				Undeveloped right-of-way	-
				Parks	-
				General	-
Cultural & Historical Assets					
				Public art	-
				Historical	-
				Heritage sites	-
Land Improvements					
				Parking Lot	
				Gravel	3
				Asphalt	15
				Playground structures	15
				Landscaping	25
				Fences	20
				Sprinkler System	25
				Golf Courses	45
				Tennis Courts	20
				Fountains	20
				Lakes/ponds (man-made)	25
				Retaining walls	20
				Running tracks	15
				Outdoor lighting	20
				Airport runways	10
				Soccer pitch - outdoor	20
				Bike/jogging paths (walking trails)	
				Gravel	3
				Asphalt	15
				Landfill	
				Pits	Volume
				Pads	Volume
				Transfer Stations	25
				Construction in progress	
Buildings					
				Permanent Structures	
				Frame	50
				Metal	50
				Concrete	50
				Portable Structures	
				Metal	15
				Frame	15
				Leasehold improvements	Variable
				Construction in progress	

Major	Minor	Sub-class (One)	Sub-class (Two)	Sub-class (Three)	Estimated Useful Life
Engineered Structures					
	Roadway system				
		Bridges			60
		Curb & gutter			30
		Roads & Streets			
			Lanes/Alleys		
				ACP - hot mix	15
				Gravel	15
			Local/Collector/Arterial/Major Arterial Surface		
				Concrete	30
				ACP - hot mix	15
				ACP - cold mix	3
				Chip seal	3
				Oil	3
				Gravel	3
			Subsurface		40
	Road Signs				
			Traffic signal Information		10
					10
	Lights				
			Decorative Street Traffic		20
					20
					20
	Guard Rails				10
	Ramps				30
	Sidewalks & para-ramps				15
	Construction in progress				
	Water System				
		Distribution system			
			Mains		50
			Services		50
		Pump, lift and transfer stations			30
		Plants and facilities			
			Structures		45
			Treatment Equipment		
				Mechanical	25
				Electrical	25
				General	25

Major	Minor	Sub-class (One)	Sub-class (Two)	Sub-class (Three)	Estimated Useful Life
			Pumping Equipment		25
		Hydrants/fire protection			50
		Reservoirs			45
	Construction in progress				
	Wastewater System	Collection System			
			Mains		50
			Services		50
		Pump, lift and transfer stations			25
		Plants and facilities			
			Structures		45
			Treatment Equipment		
				Mechanical	25
				Electrical	25
				General	25
			Pumping Equipment		25
		Lagoons			45
	Construction in progress				
	Storm System	Collection System			
			Mains		50
			Services		50
		Pump, lift and transfer stations			25
		Catch basins			50
		Outfalls			50
		Wetlands			75
		Retention Ponds			75
		Treatment facility			45
	Construction in progress				
	Fibre Optics				30
	Gas Distribution System	Structures			50
		Transmission			50
		Services			50
			Medium pressure		36
			High pressure		36
		Measurement			35
	Construction in progress				

Major	Minor	Sub-class (One)	Sub-class (Two)	Sub-class (Three)	Estimated Useful Life
Machinery and Equipment					
				Heavy construction equipment	10
				Stores	25
				Food Services	10
				Fire equipment	12
				Police special equipment	5
				Fitness and wellness	10
				Control systems	5
				Communication links	20
				SCADA system	10
				Fuelling stations	15
				Communications	
				Radios	10
				Telephone system	10
				Tools, shop and garage equipment	15
				Scales	15
				Bins	15
				Meters	
				Electrical	20
				Cumulative Interval	20
				Gas	20
				Water	40
				Parking meters and splitters	20
				Turf equipment	10
				Ice re-surfacer	10
				Office equipment	
				Furniture	10
				Office equipment	10
				Audiovisual	10
				Photocopiers	5
				Computer systems	
				Hardware	5
				Software	10
				Construction in progress	