	<h2>Municipality of Crowsnest Pass Policy</h2>
<p>Policy No.: Policy Title: Approval Date: Revision Date: Supersedes Policy: Department:</p>	<p>1710-01 Tangible Capital Assets July 14, 2020 July 10, 2020 ACCT. 002 Finance Department</p>

### 1.0 POLICY PURPOSE

To establish a policy that will set the overall direction for the management of tangible capital assets and provide the framework to ensure the capitalization of tangible capital assets is carried out in accordance with internal, external and regulatory requirements.

### 2.0 DEFINITIONS

**“Accumulated Amortization”** - the total consumed or used value or sum recorded for a tangible capital asset.

**“Additions”** - tangible capital assets that are acquired, developed, constructed or contributed during the current accounting period.

**“Amortization”** - the rational and systematic manner of allocating the full cost of an asset over its estimated useful life. Land has an unlimited estimated useful life and is not amortized. The residual/trade in value would be deducted from the cost when calculating amortization.

**“Betterment”** - Costs incurred to significantly enhance the service potential of a capital asset such as an increase in previously assessed physical output or service capacity, lower operating costs, useful life of the asset is extended, or the quality of output is improved. A betterment results in the creation of a “significantly better” tangible capital asset and is to be distinguished from repairs or maintenance where a substitution is made for a similar component to facilitate continued utilization of the existing asset.

**“Capital Assets (Tangible)”** Any asset that has physical substance or is software and meets all of the following criteria:

- is held for use by the Municipality in the production or supply of goods and services;
- has a useful life extending beyond a year and is intended to be used on a continuing basis;
- is not intended for sale in the ordinary course of operations or considered inventory.



**“Capitalization Thresholds”** - minimum dollar amounts assigned to asset categories and used to assist in determining which expenditures will be capitalized as assets and amortized and which expenditures will be treated as current year expenses.

**“Contributed/Donated Assets”** – assets that are gifted or contributed by an external third party with no cash outlay. i.e. a developer installs services such as storm systems, mains or roads within a subdivision at its own cost and then turns them over to the Municipality to operate, maintain and replace. Contributed assets are recorded at cost or fair market value.

**“Cost”** - the gross amount to acquire, construct, develop or better a tangible capital asset and includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the acquisition, construction or development of the asset.

**“Disposal”** - refers to the removal of a capital asset from service as a result of sale, destruction, loss or abandonment.

**“Estimated Useful Life”** - an estimate of time a capital asset is expected to be used. It is the period over which an asset will be amortized and is normally the shortest of the physical, technological, commercial or legal life.

**“Fair Value”** - the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties, who are under no compulsion to act.

**“Gain on Disposal”** - the amount by which the net proceeds realized upon an asset's disposal exceed the asset's net book value.

**“Historic and Cultural Assets”** - assets of a historic or cultural nature that may not have a value easily established. i.e. paintings, sculptures, historical documents, cultural or historic artifacts. Heritage assets are not recognized as TCA in financial statements.

**“Historic Buildings”** - designated through an appropriate body and considered to have significant relevant cultural or historic value. Amortization of heritage assets does not apply.

**“Historic Cost”** - the amount of consideration given up to acquire, construct, develop or better a tangible capital asset that includes all costs directly attributable to its acquisition including architectural, design, and engineering fees, legal fees, survey and site preparation costs, freight and transportation and all other expenditures required to bring it to its intended use at the time of acquisition including upgrading of plumbing, wiring, structural changes and building additions.



**“Leased Capital Assets”** - assets leased by the Municipality for use in the delivery of goods and services. All benefits and risks of ownership are transferred to the Municipality without requiring the transfer of legal ownership.

**“Leasehold Improvements”** - additions or improvements made to a leased property that cannot be removed upon termination of the lease as they are attached to, or form a part of the leased premises.

**“Loss on Disposal”** - the amount by which the net book value of a capital asset exceeds the net proceeds realized upon the asset's disposal.

**“Net book Value”** - an asset's unconsumed cost calculated by taking the original cost of the capital asset less its accumulated amortization and any write-downs.

**“Pooled Assets/Basket Purchases”** - when the value of an individual asset is less than the threshold level, but upon acquiring several of them in a single purchase and the costs are combined the assets exceed the threshold level and then must be capitalized. i.e. computers, small culverts and fire hydrants.

**“Repairs and Maintenance”** - ongoing activities to maintain a capital asset in operating condition. They are required to achieve the expected service potential of a capital asset over its estimated useful life.

**“Residual/Salvage Value”** - the estimated net realizable value of a capital asset at the end of its estimated useful life.

**“Service Potential”** - the output or service capacity of a capital asset.

**“Straight-Line Method”** - the method of amortizing a tangible capital asset that considers the consumption of the asset as a function of time rather than usage. The cost of the asset is divided over the estimated useful life of the asset so that the amortization charge is the same for each year.

**“Threshold”** - the minimum historic cost an individual asset must meet before it is to be reported as a tangible capital asset and added to the proper asset category for the purposes of capitalization and amortization. Capital assets not meeting the threshold are expensed in the year in which they are purchased.

**“Useful Life”** - the estimate of the period over which a tangible capital asset is expected to provide economic value, the period in which the asset is expected to be used. The actual life may extend beyond its useful life. The life of an asset, other than land, is finite and is normally the shortest of the physical, technological, commercial or legal life.

**“Work-in-Progress (WIP)”** - all costs related to the construction/development of a tangible capital asset to get the asset into service. Accumulation of these costs cease



when the asset is placed into service and transferred into a specific asset category to begin the amortization process.

**“Write-down”** - a reduction in the cost of a capital asset as a result of a permanent decrease in the quality or quantity of its service potential. A write-down should be recorded and expensed in the period the decrease can be measured. The tangible capital asset remains on the records of the Municipality at its reduced net book value.

**“Write-Off”** - occurs when a tangible capital asset is deemed not to have any remaining service potential to the Municipality. The net book value of a tangible capital asset is reduced to nil and the asset is removed from the accounting records.

### 3.0 POLICY STATEMENTS

The objective of this policy is to ensure that the Municipality’s investment in tangible capital assets;

- a. is recorded and reported appropriately and accurately;
- b. provides an accurate accounting of the use and investment in tangible capital assets;
- c. provides management with meaningful data upon which informed decisions can be made.

### 4.0 RESPONSIBILITIES

#### 4.1 Finance Department

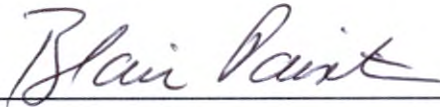
- a. Accountable to ensure TCA is developed in such a manner to provide long-term sustainability of services, reflect department capital plans and is in compliance with policies and procedures.
- b. Accountable to ensure that the management of TCA is carried out within department approved budgets.
- c. Accountable for monitoring the application of this policy and updating the policy on a regular basis.
- d. Accountable for the accurate recording and reporting of tangible capital assets in the financial statements of the Municipality of Crowsnest Pass.

#### 4.2 All Departments

For capital assets under their stewardship, departments are required to:

- a. manage effectively for efficient and economical program delivery;
- b. work with the Finance Department to establish and maintain an adequate internal control system to ensure the accuracy and reliability of information and reports.
- c. record and report periodic changes in tangible capital assets to the Finance Department.

**MUNICIPALITY OF CROWSNEST PASS**

  
\_\_\_\_\_  
Mayor

AUGUST 18, 2020  
Date

  
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Chief Administrative Officer

August 18, 2020  
Date