Tangible Capital Asset Policy & Procedure

Contents

Purpose

The purpose of this policy is to provide a comprehensive framework for the administration of the tangible capital assets of the Municipality of Middlesex Centre.

This policy prescribes the accounting treatment for tangible capital assets to ensure their proper recognition, the determination of their carrying amounts, amortization charges, the disposal of assets, and the recognition of any related impairment losses.

The policy supports the following objectives:

- Fiscal responsibility
- Accountability
- Compliance with PSAB
- Manage corporate infrastructure
- Enhanced measurement of cost of service
- Improved information to support long-term planning
- Comprehensive communication with citizens

Policy Statement

The municipality is legislated to comply with Section 3150 of Canadian Institute of Chartered Accountants' Public Sector Accounting Board (PSAB) Handbook, which relates to the accounting treatment of a municipality's tangible capital assets. Beginning on January 1, 2009, all municipalities in Canada must record and report their tangible capital assets on their financial statements. These assets must be valued at historical cost and amortized over their expected useful life.

This policy provides a framework for the implementation and subsequent maintenance of the municipality's tangible capital assets.

Scope

All tangible property acquired by the municipality, whether through donation, construction, or purchase, and which qualifies as a tangible capital asset will fall within the scope of this policy.

This policy will apply to all departments, agencies, and boards of the municipality.

Definitions

Accumulated Amortization – Accumulated amortization represents the total to date of the periodic amortization charges relating to tangible capital assets since the assets were placed in use represents the total consumed or used portion of that asset.

Amortization – Amortization is the process of allocating the cost of a tangible capital asset, net of its residual value, over its estimated useful life. Amortization allocates the cost of a tangible capital asset in a systematic and rational manner matches the cost of the tangible capital asset to the periods in which service is derived from the asset.

Acquisition Cost – Acquisition cost is the sum of all expenses 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, including installing the asset at the location and in the condition necessary for its intended use.

Betterment – Betterments are costs incurred which enhances the service potential of a tangible capital asset by doing one of the following:

- extending its useful life
- increasing the service capacity
- lowering operating costs
- improving quality of output

Capitalization Threshold – The capitalization threshold is the value above which an individual tangible capital asset or a group of similar tangible capital assets (pooled assets) are capitalized and reported in the financial statements.

Capital Lease – A capital lease is defined as a lease that transfers substantially all the benefits and risks incidental to ownership of the property to the lessee.

Contributed / Donated Assets – Contributed / donated assets are tangible capital asset received at no or nominal cost. The value of a contributed tangible capital asset (except a road allowance) is its fair value at the date of contribution. The value of a contributed road allowance is nominal; therefore, the cost value given to a contributed road allowance will be $1 per segment (usually

Cost – The cost of a tangible capital asset is the amount of consideration given up 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, including installing the asset at the location and in the condition necessary for its intended use.

Disposals – Disposals occur when the ownership of a tangible capital asset is relinquished and may occur by sale, destruction, loss or abandonment. At this time the cost and accumulated amortization of the asset is reduced to zero.

Expenditures – Expenditures are the cost of goods and services acquired in the period whether or not payment has been made or invoices received and include transfer payments due where no value is received directly in return.

Expenses – Expenses are the cost of resources consumed in and identifiable with the operations of the accounting period.

Fair Value – Fair value is the amount of the consideration that would be agreed upon in an arms-length transaction between knowledgeable, willing parties, who are under no compulsion to act.

Financial Information Return (FIR) - The FIR is the main data collection tool used by the Ministry of Municipal Affairs and Housing to collect financial and statistical information on Municipalities.

GAAP – Generally Accepted Accounting Principles

Historical Cost – The gross cost originally expended to acquire, construct, develop or better a tangible capital asset and includes all costs directly attributable to the asset's acquisition, construction, development or betterment, including installing the asset at the location and in the condition necessary for its intended use.

Infrastructure – Municipal infrastructure is all capital assets required to create and maintain a safe, secure and sustainable community. Municipal Infrastructure includes but is not limited to:

- transportation infrastructure (e.g., roads, bridges, public transit)
- utilities and environmental infrastructure (e.g., water delivery systems, sewage treatment systems, recycling systems, landfills)
- infrastructure enabling the provision of protective services (e.g., police, fire, flood mitigation)
- parks, recreation and cultural facilities (e.g., arenas, playgrounds, pools, trails, libraries, community and art centres)
- electronic infrastructure (e.g., broadband networks, information systems)
- municipal civic institutions (e.g., city/municipality hall, administration buildings)

IT Asset - An IT asset is a piece of software or hardware within an information technology environment. This can include but is not limited to computers, computing accessories, mobile devices, and scanners.

Land – Land includes land purchased or acquired for use, for preservation, for parks and recreation, for building sites, for infrastructure and for other program uses.

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

Linear Assets – Assets that are constructed in a continuous and connected network and apply to infrastructure assets. Linear assets include surface systems such as roads, sidewalks, bridges, streetlights, water distribution systems, wastewater collection systems, catch basins, and storm drainage collection systems.

Net Book Value – The net book value is the difference between the cost of a tangible capital asset and both its accumulated amortization and the amount of any write-downs. It represents the unconsumed cost of a tangible capital asset attributable to its remaining service life. Net book value will always include the residual (scrap) value of a tangible capital asset.

Pooled Assets – A grouping of identical, similar, or related tangible capital assets in terms of physical characteristics, use and expected useful life. Pooled assets are amortized using a composite amortization rate based on the average useful life of the collective group as though they were a single asset.

Professional Judgment – Professional judgment is based on an individual's past experiences and training. In the presence of uncertainty, the application of judgment is inevitable. Professional judgment must be used in determining which costs are to be capitalized; the proper classification of certain assets, the residual value to apply, and the appropriateness of the useful life, among other things.

Public Sector Accounting Board (PSAB) – The body of the Canadian Institute of Chartered Accountants (CICA) that issues recommendations and guidance with respect to matters of accounting in the public sector. Its aim is to improve the financial and performance information reported by governments and other public sector entities for the benefit of decision makers and other users of the information.

Repairs and Maintenance – The cost incurred to maintain and repair the service potential of a tangible capital asset. These expenditures are made to maintain the asset in operating condition and are expensed in the year they occur.

Replacement Cost – The current cost of similar new property having the nearest equivalent utility as the property being appraised as of a specific date.

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

Service Potential – It is the output or service capacity of a tangible capital asset that is normally determined by references to attributes such as physical output capacity, quality of output, associated operating costs and useful life.

Straight Line Method of Amortization –The straight-line method is an approach of amortizing a tangible capital asset where the amortization is considered as a function of time instead of a function of usage. It is assumed that the economic usefulness is the same each year and therefore the amortization charge is the same for each year of its useful life.

Tangible Capital Asset – are-non-financial asset having physical substance that are acquired, constructed or developed and:

- are held for use in the production or supply of goods and services;
- have useful lives extending beyond one fiscal year;
- are intended to be used on a continuing basis; and
- are not intended for resale in the ordinary course of operations.

The following will not be recognized as tangible capital assets:

- Crown land.
- Intangible assets such as goodwill and easements.

- Assets that do not meet capitalization thresholds.
- Natural resources including trees and woodlots.
- Works of art, historical treasures, archival records (disclosed in notes to the financial statements).
- Cost of studies such as the Official Plan and Development Charge study.
- Inventories and supplies.
- Interest expense related to financing costs incurred during the time an asset is under construction.
- Assets held for sale.

Tangible capital assets are substantial economic resources and are important components in delivering municipal services and include such diverse items as roads, buildings, vehicles, equipment, land, water and sewer systems, computer hardware and software (either purchased or developed internally), bridges, leasehold improvements, and capital assets acquired by capital lease or through donation.

Threshold Amount – Generally, the threshold amount for each category is the minimum cost an individual asset must have before it is treated as a tangible capital asset and added to proper asset class balance. The threshold amount is to be used as a guide in addition to professional judgment.

Useful Life – Useful life is the estimated period over which a tangible capital asset is expected to be used by the municipality. The useful life of a tangible capital asset, other than land, is finite and is normally the shortest of the physical, technological, commercial, and legal life. The life of a tangible capital asset may extend beyond the useful life of the tangible capital asset.

Works of Art and Historical Treasures – Properties that have cultural, aesthetic, or historical value that is worth preserving perpetually. These assets are not integral to the municipality’s operations and are not included in the tangible capital assets at this time as a reasonable estimate of future benefits cannot be made.

Work-in-Progress – Work-in-progress consists of construction or development of a tangible capital asset in progress that is not yet in use. Amortization is not applied to work-in-progress.

Write-down – Write-down is the reduction in the cost of a tangible capital asset made when the value of future economic benefits associated with the asset is less than its net book value.

Write-off – A write-off is used to reflect a complete (100%) impairment of the value of a tangible capital asset. The carrying value of a tangible capital asset, net of its residual value, should be written off if the tangible capital asset can no longer contribute to the municipality’s ability to provide service and the impairment is permanent in nature.

Roles and Responsibilities

Middlesex Centre Municipal Council will be responsible to:

- Approve this policy and any amendments.

- Consider the allocation of resources for successful implementation of this policy in the annual budget process.

The Chief Administrative Officer ("CAO") will be responsible to:

- Ensure policy and procedure reviews occur and verify the implementation of policies and procedures.
- Ensure that the policy is in alignment with organizational goals and objectives.

The Director of Corporate Services will be responsible to:

- Ensure implementation of this policy and procedure.
- Ensure that this policy and procedure is reviewed every four (4) years.
- Make recommendations to the CAO of necessary policy or procedure amendments.

Directors, managers and supervisors will be responsible to:

- Understand and adhere to this policy and procedure.
- Ensure operations department staff are aware of and adhere to this policy and procedure.
- Appropriately budget for tangible capital assets by recognizing the impact of tangible capital asset investment decisions on current and future budgets and managing all expenditures accordingly.
- Approving the purchase of tangible capital assets and ensure the proper accounting code is applied.
- Determine the point in time that a tangible capital asset is complete and ready for use.
- Advise the Financial Analyst when an asset is put in service.
- Provide life expectancy data of tangible capital assets defined in this policy.
- Notify the Financial Analyst and obtain the appropriate financial asset details as it relates to assumed subdivisions.
- Notify the Financial Analyst of tangible capital asset disposals with the asset description, reason, and effective date.
- Ensure proper upkeep and storage of the tangible capital assets as appropriate.

Operations department staff will be responsible to:

- Advise their supervisor or manager when an asset is put in service.
- Provide information and supporting documents to their supervisor or manager for tangible capital asset reporting.

The **Financial Analyst** will be responsible to:

- Understand and adhere to this policy and procedure.
- Enforce and administer this policy.
- Develop, maintain, and test the asset registry.
- Support those parties involved in the purchase, acquisition, sale, and maintenance of capital assets to ensure the upkeep of accurate records.

- Provide financial analysis of possible tangible capital asset purchases and disposals as requested or when appropriate.
- Prepare all accounting records including additions, disposals, write-downs, and amortization.
- Ensure all accounting records are in compliance with this policy and PSAB.
- Review budget-to-actual reports and report any discrepancies.
- Ensure that tangible capital assets are classified correctly by class and function for the annual Financial Information Return

The **Asset Management Coordinator** will be responsible to:

- Understand and adhere to this policy and procedure.
- Ensure compatibility between the Strategic Asset Management Plan and tangible capital asset policy including accuracy and completeness of the asset listings, useful life, and asset tags.
- Reconcile the tangible capital asset registry to the asset management plan on an annual basis in coordination with the Financial Analyst.

Procedure

The following procedures will direct the prescribed treatment of tangible capital assets to facilitate decision-making and assist departments in applying this policy.

Financial Statement Reporting: Tangible Capital Assets PSAB 3150

This accounting standard requires that all tangible capital assets are accounted for and shown on the municipality's Statement of Financial Position at their netbook value. The financial statements will disclose the total cost, accumulated amortization and net book value at the beginning and end of the period and the total additions, disposals, write-downs, and amortization for the period for each major category of tangible capital assets. In addition, the municipality has a significant accounting policy note and tangible capital asset summary note in the Financial Statements that disclose the required information.

Recording Tangible Capital Assets

A tangible capital asset should be recorded and recognized on the Financial Statements when both of the following criteria exist:

- It is probable that a future benefit to the municipality will be obtained from the tangible capital asset.
- The cost of the asset can be reasonably and reliably measured.

The acquisition date of the tangible capital asset is the earlier of:

- The date that the legal ownership of the tangible capital asset is transferred to the municipality.

- The date that the construction of the tangible capital asset is completed and ready for use.

Determining when a tangible capital asset is complete and ready for use requires situation-specific considerations. These considerations will be made with the responsible department in conjunction with the finance department.

There are two approaches that the municipality may use to record tangible capital assets that are both accepted under Generally Accepted Accounting Principles (GAAP):

- **Whole Tangible Capital Asset** – This approach would see an entire assembly and all its components recorded and amortized as one tangible capital asset. An example would be a snowplow truck where the plow and truck are recorded as one asset.
- **Component Approach** – Under this approach, major components of a tangible capital asset are recorded and amortized as separate pieces. An example of this would be a building that would be recorded separately as structure, roof, electrical and plumbing.

The component approach is more appropriate for large-scale tangible capital assets that can easily be broken down into smaller tangible capital assets, which can have different values and estimated useful lives.

Additional factors to consider when choosing an approach:

- Significance of the amounts
- Quantity of individual tangible capital assets
- Availability/reliability of the information with respect to the specific components
- Information needs to make future decisions

Valuing Tangible Capital Assets

In accordance with GAAP, the historical cost of the tangible capital asset must be used when capitalizing the expenditures. Donated assets are recorded at fair value.

Costs can include:

- Purchase price of the tangible capital asset
- Direct construction costs including labour and materials
- Overhead costs directly involved in design and construction
- Installation costs
- Design and engineering fees
- Legal and surveying fees
- Site preparation
- Freight and duty costs
- Transportation insurance costs

The costs of constructed tangible assets must be directly attributable to its construction or development activities to be included in the capitalization costs.

For projects that result in multiple tangible capital assets, the general costs will be distributed based on a weighted-average method.

When multiple tangible capital assets are acquired as a single purchase, their individual costs will be determined by allocating the total costs based on their relative fair value at the time of acquisition.

Municipality staffing costs (salaries and benefits) can be allocated to the capital project; however, the staff member's time must be clearly attributable to the project and not include hours working on other items. Whether staffing costs can be capitalized is at the sole discretion of the Director of Corporate Services.

Interest costs related to the financing of a tangible capital asset will not be capitalized, but rather expensed through the annual Statement of Operations.

Studies and Assessments

Costs to conduct an environmental assessment or a feasibility study for a planned facility would not be a tangible asset in and of itself. If, and only if, construction proceeds and the facility is completed and becomes operational (i.e., the facility itself becomes the tangible capital asset), then you can add in the total cost of the environmental assessment or the feasibility study as a directly attributable cost and capitalize the expenditures for it.

The cost of such studies should be recorded as work-in-progress, and part of the costs for the asset to which each one relates. In the event that construction/acquisition does not go ahead, or the study results in the planned project being rejected completely, then all associated costs are to be expensed in the year in which this occurs.

Classification

Attributing classifications to tangible capital assets is important for accurate and consistent financial reporting. Classification ensures that the assets are accounted for correctly and that the appropriate depreciation is applied for each type.

Asset Class

The primary asset category will be presented in the notes to the financial statements as their segmented asset classes. The list of primary asset categories to be utilized is as follows:

- Land
- Land Improvements
- Buildings & Fixtures
- Other Equipment
- Emergency Vehicles
- Vehicles and Machinery
- Roads
- Bridges & Culverts
- Sidewalks

- Water
- Wastewater
- Stormwater
- Streetlighting

Infrastructure Capital Assets

Physical assets and facilities that the municipality owns, operates, and maintains to support the delivery of public services and ensure the well-being of its residents. These long-term assets provide essential services and have a significant impact on the quality of life in a community.

Municipal infrastructure capital assets can be broadly categorized into several key areas:

Transportation Infrastructure:

- Roads and Streets: This includes the construction, maintenance, and improvement of roads and streets within the municipality.
- Bridges and Overpasses: Infrastructure to facilitate transportation over bodies of water, railways, or other obstacles.

Utilities Infrastructure:

- Water Supply and Treatment: Infrastructure for sourcing, treating, and distributing potable water to residents and businesses.
- Wastewater Treatment: Facilities for collecting, treating, and disposing of sewage and wastewater.
- Stormwater Management: Systems to control and manage rainfall runoff to prevent flooding and erosion.

Segments

Linear tangible capital assets (roads, water, wastewater and stormwater pipes) will be broken down into logical segments as determined by the department responsible for the tangible capital asset.

Functional Categories

The list of functional asset categories aligns with the Financial Information Return as follows:

- Environmental Services
- General Government
- Health Services
- Planning and Development
- Protection Services
- Recreation and Cultural Services
- Transportation Services

In addition, each tangible capital asset will be assigned to the department which is responsible for the tangible capital asset. This will allow annual amortization to be expensed to the correct department as well as it ties the tangible capital assets in the annual Financial Information Return.

Capitalization Threshold

The threshold represents the minimum cost that an individual (or pooled) tangible capital asset must have before being capitalized and shown on the Statement of Financial Position.

Costs must meet the criteria to be considered a tangible capital asset and meet or exceed the following capitalization threshold.

Tangible Capital Asset	Threshold
Land	All Land purchases are capitalized
Land Improvements	$35,000
Buildings	$35,000
Linear (Water, Wastewater, Roads)	$35,000
Machinery and Equipment	$35,000
Vehicles	$5,000

IT assets such as computers, phones, and software are not capitalized due to the rapid rate of obsolescence that they experience.

Pooled Tangible Capital Assets

In certain situations, the municipality makes a large purchase of several smaller items that have a lower value than the capital threshold per item, yet the combined total is over the threshold when grouped (e.g., streetlights or equipment). In this situation assets may be capitalized as a pooled tangible capital asset and recorded and amortized over the useful life.

Betterments

Expenditures on an asset incurred after it comes into service and prior to, or on its disposal, must either be accounted for as recurrent expenditure and expensed or as capital expenditure and added to the carrying amount of the asset when it is incurred. The decision as to whether the expenditure is expensed or capitalized depends on its relative size (materiality) and the nature of the benefits it brings.

A betterment can be:

- The replacement of a major component of a tangible capital asset with a significantly improved component.

- A renewal, which is normally a large, non-recurring expenditure that increases the utility or service life of an asset beyond the original estimate.
- An addition that is an integral part of an existing tangible capital asset.

To be considered a betterment, the cost must be equal to or greater than the capitalization threshold outlined in this policy for both individual and pooled tangible capital assets. In addition, one of the following must also exist:

- The estimated useful life is extended by 25%
- The costs result in an increased capacity of at least 25%
- The efficiency of the tangible capital asset is increased by 15%
- The operational costs decreased by 15%

Costs of a betterment are considered part of the tangible capital asset and will be capitalized whereas maintenance costs are expensed annually on the Statement of Operations and Accumulated Surplus. Major betterments should be included in the annual capital budgets whereas repairs and maintenance should be included in the annual operating budgets of the respective department.

A betterment adds to the cost of the asset and may extend the remaining years of its useful life. These costs will be factored into the amortization calculation of the asset.

Betterments may also be recorded on the tangible capital asset register as sub-assets of the related asset and amortized accordingly.

Maintenance

Maintenance expenses are incurred to repair or maintain the pre-determined service potential of a tangible capital asset to the end of its original useful life. These expenses do not enhance the functionality, capacity, usability, and efficiency of the tangible capital asset. Such costs should be accounted for as an expense in the fiscal year in which they are incurred.

When a cost cannot be differentiated between a betterment and maintenance, the cost will be considered an expense and shown on the annual Statement of Operations.

Contributed and Donated Tangible Capital Assets

The municipality can have tangible capital assets either donated or contributed for the delivery of the services provided by the municipality. A donated tangible capital asset could be a piece of land given for the purposes of a park and a contributed tangible capital asset could be linear works received during the assumption of a subdivision.

Contributed and donated tangible capital assets are capitalized at fair value on the date of contribution and included on the Statement of Financial Position.

For donated tangible capital assets, the department receiving the tangible capital asset should obtain an independent valuation from a third-party, such as an appraisal or engineering professional opinion. This third-party valuation will be the fair value assigned to the donated tangible capital asset.

For contributed tangible capital assets, the department receiving the tangible capital assets will obtain the fair value of the tangible capital assets through the development contract or agreement.

If a fair value cannot be determined by the process outlined above, then a nominal value will be used and a note to disclose this information will be included with the Statement of Financial Position.

Capital Leases

The municipality may enter into an agreement with a third party to lease a tangible capital asset. A capital lease substantially transfers all the benefits and risks incidental to ownership of the asset to the municipality and will be treated as a tangible capital asset.

At least one of the following criteria must exist for a lease to be capitalized:

- There is reasonable assurance the municipality will obtain ownership of the leased property by the end of the lease term. This condition is usually signified when ownership does pass at the end of the lease or when the lease provides for a bargain purchase option (75% of the fair value of the tangible capital asset).
- The lease term is for more than 75% of the estimated useful life of the tangible capital asset.
- The minimum lease payments, excluding any portion relating to executory costs, are equal to 90% or more of the fair value of the leased property at the inception of the lease.

A lease for land is not considered a capital lease unless there is reasonable assurance that ownership will pass to the municipality by the end of the lease term.

Amortization

The municipality uses the straight-line method of calculating amortization including the Half Year Rule. The Half Year Rule states that only 50% of the annual amortization will be booked in the first and last years of an asset's useful life.

Land is the only category of tangible capital assets that will not be amortized.

As per section PSAB 3150.29, the amortization method of estimated useful life of a tangible capital asset should be adjusted if one of the following events occurs:

- A change in how the tangible capital asset is used
- Removal of the tangible capital asset out of service for an extended period of time (one year)
- Physical damage to the tangible capital asset
- Significant technological advancements
- Change in the demand of the service (that the tangible capital asset provides)

- Change in legislation that affects the period of time over which a tangible capital asset can be used.

Amortization is recorded and reviewed on an annual basis and reported in the Financial Statements.

Estimated Useful Life

The estimated useful life (included in Appendix A) is the shorter of the physical, technological, commercial, or legal life that the asset is expected to be in service. Using professional judgement, staff have assigned an estimated useful life for the various tangible capital assets that are owned and operated by the municipality. Although the physical life of the tangible capital asset may differ, the intent is to try and make these two useful lives the same. Factors that go into setting the estimated useful life include:

- Experience with similar tangible capital assets
- Third-party knowledge of the tangible capital assets
- Expected usage of the tangible capital asset in conjunction with the maintenance program

Impairment and Write-down of a Tangible Capital Asset

When a tangible capital asset is no longer able to provide the good and or service that it was purchased to perform, the net book value of that tangible capital asset needs to be reduced to reflect the new fair value of the tangible capital asset to the municipality.

Any impairments and write-downs will be expensed to the responsible department and will be shown on the annual Statement of Operations and Accumulated Surplus.

Indications of an impairment include:

- A change in how the tangible capital asset is used
- A change in the manner to which a tangible capital asset is used
- Physical damage to the tangible capital asset
- Significant technological advancements
- Change in the demand of the service (that the tangible capital asset provides)
- A decision to halt construction before the tangible capital asset is in a useable condition
- A change in the law or environment affecting the extent to which the tangible capital asset can be used

Disposals

On disposal, the historical cost and accumulated amortization is removed from the Statement of Financial Position. As per PSAB 3150, the difference between the net proceeds on disposal and the Net Book Value of the tangible capital asset is accounted for as either a revenue (Gain on

Disposal) or expense (Loss on Disposal) through the Statement of Operations and Accumulated Surplus.

Disposal of a tangible capital asset may occur by sale, trade-in, destruction, loss or abandonment.

Work in Progress

During construction or the ordering process of a tangible capital asset, the costs will be recorded to the work in progress inventory account. Once the tangible capital asset is completed and ready to be transferred into use, the tangible capital asset is then transferred to the correct tangible capital asset classification.

Amortization is not to be recorded on work in progress until it is transferred into the specific tangible capital asset category that would indicate the work in progress is ready for use.

All costs included in work in progress must be written off if construction of the tangible capital asset is terminated or deferred indefinitely or has been in work in progress for five years, whichever is earlier.

Additions

Additions are made to an existing asset to extend, enlarge or expand the existing asset. Examples include adding an extra wing or room to a building or adding a lane to an existing roadway. As additions increase service capacity or physical output of a property, they are betterments. The costs of additions must be capitalized. The key consideration is the increase of quantity of service or output.

Transfers

Transfers of tangible capital assets between departments shall be at the net book value of the asset. The receiving department would record the asset at its original historical cost and accumulated amortization.

Transfers will only occur between departments with different funds.

Policy Review

This policy will be reviewed once per council term to ensure alignment with legislation and corporate values and operations.

Appendix A: Estimated Useful Life by Asset Class

Tangible Capital Asset	**Years**
Buildings & Fixtures	10 - 75
Emergency Vehicles	20
Land	Indefinite
Land Improvements	15
Other Equipment	5 - 10
Sidewalks:	
Asphalt	20
Concrete	30
Infrastructure:	
Storm Sewer	80
Bridges & Culverts	50
Roads – Tar & Chip	8
Roads – Gravel	25
Roads – Paved	40
Wastewater – Facilities	50
Wastewater – Equipment	20
Wastewater – Mains	80
Water Utility – Facilities	50
Water Utility – Mains	80
Streetlighting	50
Vehicles & Machinery	5 - 20