

TOWN OF TWO HILLS



Policy Number: 2007-07

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Policy Subject: **TANGIBLE CAPITAL ASSETS -
CLASSIFICATION/CAPITALIZATION
THRESHOLD/AMORTIZATION**

POLICY STATEMENT:

The purpose of this policy is to provide direction for recognizing and recording Tangible Capital Assets (TCA) on a consistent basis and in accordance with Public Sector Accounting Board (PSAB) 3150.

A number of recommendations for TCA have been established by Municipal Affairs & Housing (AMHC). These recommendations will be adopted by the town.

TANGIBLE CAPITAL ASSET:

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

- are used on a continuous basis by the Town
- have useful economic lives extending beyond one year
- are not for resale in the ordinary course of operations

Subsequent expenditures on a recorded TCA that:

- increase output or service capacity
- increase the service life
- lower associated operating costs
- improve the quality of the output

Should be classified as betterments and capitalized accordingly. Any other expenditure should be considered a repair or maintenance and should be expensed in the period.

AMORTIZATION:

The cost, less any residual value of a TCA with a limited life should be amortized over its useful life in a rational and systematic manner. The amortization method and estimate of useful life of the remaining unamortized portion should be reviewed on a regular basis (as outlined in the table below or more frequently if needed) and revised when the appropriateness of a change can be clearly demonstrated.

SCOPE:

The policy addresses the following:

- Asset classifications (major & minor)
- Capitalization threshold for each asset classification
- Amortization method to be used
- Review schedule



The following table shows the classes, capitalization thresholds and amortization method to be used:

Major Asset Class	Minor Asset Class	Capitalization Threshold	Amortization Method	Review Schedule
Land		All land will be recorded		
Land Improvements		\$ 5,000.00	Straight line	Every 3 years
Buildings		\$ 25,000.00	Straight line	Every 5 years
Engineered Structures	Roadway System	\$ 25,000.00	Straight line	Every 5 years
	Water System	\$ 25,000.00	Straight line	Every 5 years
	Wastewater System	\$ 25,000.00	Straight line	Every 5 years
	Storm System	\$ 25,000.00	Straight line	Every 5 years
Machinery & Equipment		\$ 5,000.00	Straight line	Every 3 years
Vehicles		\$ 5,000.00	Straight line	Every 3 years
Cultural & Historical		N/A	N/A	N/A



Appendix A:
Recommended Maximum Useful Life

Asset Classes	
Major	
Minor	
Sub-class One	
Sub-class Two	
Sub-class Three	
	Maximum Useful Life

Land

Right-of-way
Undeveloped right-of-way
Parks
General

Cultural & Historical Assets

Public art
Historical
Heritage site

Land Improvements

Parking lot	
Gravel	15
Asphalt	25
Playground structures	15
Landscaping	25
Fences	20
Tennis Courts	20
Outdoor Lighting	20

Buildings

Permanent Structures

Bridges	50
Metal	50
Concrete	50

Portable Structures

Metal	25
Frame	25

Leasehold improvements

Variable

Construction in progress



Engineered Structures

Roadway system

Curb & gutter		30
Roads & streets		
Lanes/alleys		
Gravel		15*
Non-conforming		20*
Local/Collector/Arterial/Major		
Arterial		
Surface	Concrete	30*
	ACP - hot mix	20
	ACP - cold mix	10*
	Chip seal	10*
	Oil	5*
	Gravel	25*
Subsurface		40*
Road signs		
Traffic control		30
Information		30
Lights		
Decorative		30
Street		30
Traffic		30
Guard rails		30
Ramps		30
Sidewalks & para-ramps		30

(* subject to weather conditions)

Water system

Distribution system		
Mains		75
Services		75
Pump, lift and transfer stations		45
Plants and facilities		
Structures		45
Treatment equipment		
Mechanical		45
Electrical		45
General		45
Pumping equipment		45
Hydrants/fire protection		75
Reservoirs		45
Construction in progress		



Wastewater system

Collection system	
Mains	75
Services	75
Pump lift and transfer stations	45
Plants and facilities	
Structures	45
Treatment equipment	45
Mechanical	45
Electrical	45
General	45
Pumping equipment	45
Lagoons	45
Construction in progress	

Storm system

Collection system	
Mains	75
Services	75
Pump lift and transfer stations	45
Catch basins	75
Outfalls	75
Wetlands	75
Retention ponds	75
Treatment facility	45
Construction in progress	

Machinery and equipment

Heavy construction equipment	Variable
Fire equipment	12
Police special equipment	10
Control systems	5
Control systems	20
SCADA system	10
Communications	
Radios	10
Telephone systems	10
Tools, shop and garage equipment	15
Bins	15



Machinery and equipment - continued

Meters	
Water	40
Turf equipment	10
Ice re-surfacer	10
Office Furniture & equipment	
Furniture	20
Office equipment	10
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	

MAYOR

CHIEF ADMINISTRATIVE OFFICER

