

Policy:

The Village of Innisfree identified the requirement for the implementation of a Tangible Capital Assets (TCA) Policy pursuant to the Public Sector Account Board (PSAB) 3150 regulations.

Purpose:

The purpose of the 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 Alberta Municipal Affairs & Housing (AMAH). These recommendations will be adopted by the Village.

1.0 DEFINITIONS/TERMINOLOGY:

1.1 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.

1.2 Tangible Capital Asset:

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

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

Effective Date: October 20, 2015 **Amendments:** **Effective Date:** _____ **Resolution#** _____

Resolution# 2015-10-20/17

Effective Date: _____ **Resolution#** _____

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.

1.3 Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

1.4 Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are account for a capital leases. All other leases are accounted for as operating leases and the related lease payments are charge to expenses as incurred.

1.5 Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed in the financial statement.

2.0 Procedures:

2.1 This policy addresses the following:

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

Effective Date: October 20, 2015 **Amendments:** **Effective Date:** _____ **Resolution#** _____

Resolution# 2015-10-20/17

Effective Date: _____ **Resolution#** _____

Procedure No. 1300-02

Tangible Capital Assets Policy - Classification/Capitalization Threshold/Amortization

2.2 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	N/A	N/A
Land Improvements		\$ 2,000.	Straight Line	Every 3 years
Buildings		\$10,000.	Straight Line	Every 5 years
Engineered Structures	Roadway System	\$10,000.	Straight Line	Every 5 years
	Water System	\$10,000.	Straight Line	Every 5 years
	Wastewater System	\$10,000.	Straight Line	Every 5 years
	Storm System	\$10,000.	Straight Line	Every 5 years
Machinery & Equipment		\$ 2,000.	Straight Line	Every 3 years
Vehicles		\$ 2,000.	Straight Line	Every 3 years
Cultural & Historical		N/A	N/A	N/A

**Where the above table can not be used, the auditor for the village will be consulted to assist in establishing the correct accounting procedures for a TCA.*

3.0 End of Procedure.

Effective Date: October 20, 2015 **Amendments: Effective Date:** _____ **Resolution#** _____

Resolution# 2015-10-20/17

Effective Date: _____ **Resolution#** _____