

Title: Tangible Capital Assets

Policy No: 1508

Approval: Town Council

Effective Date: November 14, 2007

Supersedes Policy No: none



Policy Statement: The Town of Hardisty believes that it is necessary to establish policy to prescribe the 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 the changes in such investment. The principle issues in accounting for tangible capital assets are the recognition of the assets, the determination of their carrying amounts and the amortization charges and the recognition of any related impairment losses.

Capitalization

Tangible capital assets should be capitalized according to the following thresholds:

- a) All land;
- b) All buildings;
- c) Engineered Structures (built assets such as roads, sewers, water, transit, parks, etc.) with a unit cost of \$10,000 or greater;
- d) All others with a unit cost of \$2,000 or greater.

Categories

A category of assets is a grouping of assets of a similar nature or function in the Town's operations. The following list of categories shall be used:

(Land, buildings, equipment, roads, water, sewer, communication networks, motor vehicles, furniture and fixtures, computer systems including hardware and software.)

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. This would include purchased assets, acquired, constructed or developed assets, capitalization of interest costs, and donated or contributed assets.

Amortization

The cost, less any residual value, of a tangible capital asset with a limited life should be amortized over its useful life in a rational and systematic manner appropriate to its nature and use. The amortization method and estimate of useful life of the remaining unamortized portion should be reviewed when the appropriateness of a change can be clearly demonstrated. The Town will utilize a straight-line method for calculating the annual amortization. A comprehensive list of estimated useful lives of assets and amortization rates will be compared to Schedule A.

Disposal

When tangible capital assets are taken out of service, destroyed or replaced due to obsolescence, scrapping or dismantling the asset listing and accounting records recording a loss/gain on disposal will be adjusted.