



POLICY

POLICY NO: 351

APPROVAL DATE: May 28, 2012

TITLE: Tangible Capital Assets

REVISION DATE:

SECTION: Finance

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DEPARTMENT: Finance

POLICY STATEMENT

The City of Grande Prairie is committed to maintain appropriate accountability for the government's tangible capital assets; to gather and maintain information needed to prepare financial statements in accordance with the Public Sector Accounting Board (PSAB). Fulfilling this requirement includes accounting for and reporting Tangible Capital Assets (TCAs) in compliance with CICA Public Sector Standards Section PS 3150. This policy applies to all City departments, boards and commissions, agencies and other organizations falling within the reporting entity of the City.

REASON FOR POLICY

The objective of this policy is 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 principal issues in accounting for tangible capital assets are the recognition of the assets, the determination of their carrying amounts and amortization charges and the recognition of any related impairment losses.

RELATED INFORMATION

Presentation and Disclosure

Tangible capital assets are reported in the government's financial statements when the following criteria are met:

It must satisfy the definition of a tangible capital asset.

It must have a cost or other value that can be reliably measured and meet the capitalization threshold.

The financial statements should disclose the following information about tangible capital assets, where beneficial a breakdown for each major category:

- Cost at the beginning and end of the period;
- Additions in the period;
- Disposals in the period;
- The amount of any write-downs in the period;
- The amount of amortization of the costs of tangible capital assets for the period;
- Accumulated amortization at the beginning and end of the period;

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- Net carrying amount at the beginning and end of the period;
 - The amortization method used, including the amortization period or rate for each major category of tangible capital asset;
 - The net book value of tangible capital assets not being amortized because they are under construction or development or have been removed from service;
 - The nature and amount of contributed tangible capital assets received in the period and recognized in the financial statements; and
 - The nature of the works of art and historical treasures held by the government. Works of art and historical treasures are not recognized as tangible capital assets, as a reasonable estimate of the future benefits cannot be made. Nevertheless, their existence and nature must be disclosed.

Capital transactions include acquisitions, disposals, betterments, write-downs, amortization and other adjustments. Sufficient information should be maintained through source documents, working papers and files supporting capital asset transactions for internal and external audit or review.

Capitalization Thresholds

Tangible capital assets should be capitalized (recorded in the fixed asset sub-ledger) according to the following thresholds;

- All land;
- Land Improvements exceeding \$10,000;
- Buildings with a unit cost of \$100,000 or greater;
- Civil infrastructure systems (built assets such as roads, bridges, storm systems, etc.) with unit cost \$100,000 or greater;
- Machinery and equipment with a unit cost of \$10,000 or greater;
- Vehicles with unit cost of \$10,000 or greater.

Capital assets not meeting the threshold are expensed in the year in which they are purchased.

Capital Asset Classifications

A category of assets is a grouping of assets of a similar nature or function in the City's operations. Tangible capital assets recorded in the Major classification will include:

- Land;
- Land Improvements;
- Buildings;
- Engineered Structures;
- Machinery and Equipment;
- Vehicles;
- Cultural and Historical Assets.

Tangible capital assets should be assigned based on their nature, characteristics and useful life using the following procedure guidelines:

Valuation of Capital Assets	Procedure 351-1
Capital Asset Classification	Procedure 351-2
Capital Asset Estimated Useful Lives	Procedure 351-3

DEFINITIONS

Tangible Capital Assets (TCA) are all tangible assets that are controlled by the City which have physical substance that are acquired, constructed or developed and:

- Are held for use in the production or supply of goods and services;
- Have useful economic lives extending beyond an accounting period;
- Are intended to be used on a continuing basis in the City's operations; and
- Are not intended for sale in the ordinary course of operations.

TCA are a significant economic resource and a key component in the delivery of programs and services.

RESPONSIBILITIES

City Council will review and approve any revisions to this policy.

City Manager will review and approve any procedures related to this policy.

City Administration will carry out the policy based on established procedures.