ADMINISTRATIVE POLICY **FIN-018-A**

CITY OF FORT SASKATCHEWAN

TANGIBLE CAPITAL ASSETS

Date Issued: May 12, 2009	Mandated by: City Manager
Current Revision: February 22, 2021	Cross Reference: • FIN-025-C – Management & Financial Reporting • FIN-024-C – Operating & Capital Budgets • GEN-014-A – Surplus Assets Policy
Next Review: January 1, 2026	Responsibility: Chief Financial Officer

1. PURPOSE

1.1 This policy provides consistent guidelines for the accounting of Tangible Capital Assets that are Controlled by the City in accordance with Public Sector Accounting Standards and the MGA.

2. POLICY

2.1 The City shall establish criteria for the recognition of Tangible Capital Assets and Betterments acquired through any means.

2.2 The City shall establish asset classifications when reporting on Tangible Capital Assets.

2.3 The City shall measure Tangible Capital Assets and Betterments as the total cost to bring the asset into use, with such value less Residual Value being amortized over the assets' useful life.

2.4 The City shall periodically review accounting estimates regarding valuation and continued use of Tangible Capital Assets.

3. DEFINITIONS

3.1 *Betterments* – means modifications to existing Tangible Capital Assets that enhance its technical or customer service levels beyond those established at the time of its acquisition.

3.2 *Capitalization Threshold* – means the minimum cost or value an asset must be to justify the cost of recording and tracking the asset as a Tangible Capital Asset.

3.3 *Capital Costs* – means amount of monetary and time considerations given up to acquire, construct, develop or better a Tangible Capital Asset.

3.4 *City* – means the municipal corporate of the City of Fort Saskatchewan.

3.5 *Control* – means the ability to benefit from and is exposed to the risks of economic resources provided by the asset, and deny access to the same benefit to others.

3.6 *In-Use* – means the condition in which all works necessary for the Tangible Capital Asset to be used in its intended condition and location have been completed, with only minor items needed to fully complete the work.

3.7 *MGA* – means the *Municipal Government Act*, RSA 2000, C. M-26, and associated regulations, as amended.

3.8 *Net Book Value* – means remaining value of the Tangible Capital Asset at the current time, calculated as cost at acquisition minus amortization to date.

3.9 *Non-Financial Assets* – means an asset that derives its value from its physical traits, such as real estates and vehicles.

3.10 *Residual Value* – means estimated salvage value of a Tangible Capital Asset at the end of its lease term or useful life.

3.11 *Tangible Capital Assets* – means Non-Financial Assets or computer software that meet the recognition criteria set in section 4.1.a.

3.12 *Work-In-Progress* – means the accumulation of Capital Costs for partially constructed or developed Tangible Capital Assets.

4. GUIDING PRINCIPLES

4.1 Recognition

a) Non-Financial Assets or computer software are recognized as Tangible Capital Assets when they meet all of the following criteria:

   i) The City gains Control over the asset;
   ii) The asset's useful life is more than one year;
   iii) The asset is meant to be used continuously to provide services and not for resale;
   iv) The value of the asset is above the Capitalization Threshold.

b) Tangible Capital Assets are derecognized and disposed when they meet any of the following criteria:

   i) The City loss Control over the asset;
   ii) The asset can no longer provide its intended economic benefit.

c) Betterments are modification to existing Tangible Capital Assets that meet all of the following criteria:

   i) They materially improved the use or design of the asset beyond its initial levels;
   ii) They cost more than the asset's Capitalization Threshold.

d) The following are not considered tangible capital assets:

   i) Data and costs associated with data conversion;
   ii) Cloud-based software (unless substantial customization is required);
   iii) Original works of art or culture that is worth preserving perpetually;
   iv) Historical treasures, archives, and archeological sites that are irreplaceable;
   v) Goodwill, trademarks, copyrights, and other intangible assets.

4.2 **Classification**

a) Tangible Capital Assets are classified into one of the asset classes set by the MGA, and any relevant sub-classes created by the City.

4.3 **Measurement**

a) Tangible Capital Assets and Betterments are valued at the total Capital Costs incurred to acquire the asset.

b) Capital Costs are first recorded to Work-In-Progress and are moved to the relevant asset class when the Tangible Capital Asset or Betterment is In-Use.

c) A Tangible Capital Asset's value less its Residual Value is evenly amortized over its remaining useful life.

d) Any proceeds and costs from disposing a Tangible Capital Asset above the asset's Net Book Value less its Residual Value are recorded as gain or loss.

4.4 **Review**

a) The City will periodically review and revise the Capitalization Threshold.

b) The City will periodically review and update the Net Book Value of existing Tangible Capital Assets.

5. AUTHORITY / RESPONSIBILITY TO IMPLEMENT

The Chief Financial Officer is authorized to establish procedures for the implementation of this Policy which are consistent with the governing principles.

City Manager

ADMINISTRATIVE PROCEDURE

FIN-018-A

TANGIBLE CAPITAL ASSETS

Date Issued: May 12, 2009

Responsibility: Chief Financial officer

Current Revision: February 22, 2021

Cross Reference:
- FIN-018-A – Tangible Capital Assets Policy
- FIN-025-C – Management & Financial Reporting Procedure
- FIN-024-C – Operating & Capital Budgets Procedure
- GEN-014-A – Surplus Assets Policy

1. PURPOSE

1.1 These procedures provide additional discussion and guidance on the accounting of Tangible Capital Assets that are controlled by the City. It is intended to clarify guiding principles and parties' responsibilities when following the policies.

2. DEFINITIONS

2.1 *Asset Custodians* – means all administrative members involved in making decisions to acquire, use, maintain, and dispose Tangible Capital Assets.

2.2 *Betterments* – means modifications to existing Tangible Capital Assets that enhance its technical or customer service levels beyond those established at the time of its acquisition.

2.3 *Capitalization Threshold* – means the minimum cost at which an asset must be to justify the cost of recording and tracking the asset as a Tangible Capital Asset.

2.4 *Capital Costs* – means amount of monetary and time considerations given up to acquire, construct, develop or better a Tangible Capital Asset.

2.5 *City* – means the municipal corporation of the City of Fort Saskatchewan.

2.6 *Componentized Asset* – means significant part of an asset with Useful Life and maintenance plans that's distinct from other parts or the whole asset.

2.7 *Fair Market Value* – means the expected selling price of an asset set by two knowledgeable and unrelated parties.

2.8 *Fixed Asset ID* – means unique identification assigned automatically by Microsoft Dynamics Great Plains to individual Tangible Capital Assets for facilitating record management of the asset.

2.9 *Gain/Loss On Disposal* – means the amount by which proceeds realized upon the disposal of a Tangible Capital Asset exceeds/falls short of its Net Book Value minus Residual Value.

2.10 *In-Use* – means the condition in which all works necessary for the Tangible Capital Asset to be used in its intended condition and location have been completed, with only minor items needed to fully complete the work.

2.11 *Linear Segments* – means span of an asset with maintenance plan directly impacted by their length.

2.12 *MGA* – means the *Municipal Government Act,* RSA 2000, C. M-26 and associated regulations, as amended.

2.13 *Net Book Value* – means future benefit provided by the Tangible Capital Asset as of current day, calculated as cost at recognition minus accumulated amortization to date.

2.14 *Non-Financial Asset* – means an asset that derives its value from its physical traits, such as real estates and vehicles.

2.15 *Residual Value* – means estimated salvage value of a Tangible Capital Asset at the end of its lease term or Useful Life.

2.16 *Tangible Capital Assets* – means Non-Financial Assets or computer software that meet the recognition criteria set in FIN-018-A Tangible Capital Assets Policy section 4.1.a.

2.17 *Useful Life* – means the total amount of time that a Tangible Capital Asset will be providing services or goods for the City before it is sold or cease to function as intended.

2.18 *Work-In-Progress* – means the accumulation of Capital Costs for partially constructed or developed Tangible Capital Assets.

3. ROLES AND RESPONSBILITIES

3.1 **Directors are responsible for informing Financial Services of:**

(a) All transactions that result in the acquisition of Non-Financial Assets or computer software above the Capitalization Threshold set in Appendix D;

(b) All modifications to existing Tangible Capital Assets that cost more than the assets' Capitalization Threshold set in Appendix D;

(c) When control of contributed or donated Tangible Capital Assets are transferred to the City;

(d) All costs incurred to make Tangible Capital Assets and Betterments ready for In-Use;

(e) Significant changes to Tangible Capital Assets and Betterments under construction/development;

(f) When Tangible Capital Assets and Betterments are ready for In-Use;

(g) When capital projects are fully completed and no additional costs are expected;

(h) Changes to the use, condition, or financial arrangement of existing Tangible Capital Assets.

3.2 **Directors are responsible for:**

(a) Completing a "Tangible Capital Asset Acquisition" form for all new Tangible Capital Assets and Betterments;

(b) Completing a "Capital Project Closure" form when capital projects are fully completed;

(c) Considering Tangible Capital Assets' Useful Life when forming its lifecycle replacement plans;

(d) Completing a "Tangible Capital Asset Disposal" form for all disposed Tangible Capital Assets; and

(e) Using the Fixed Asset ID assigned by Financial Services when tracking, recording, and reporting Tangible Capital Assets.

3.3 **Financial Services is responsible for**

(a) Recognizing acquisitions as Tangible Capital Assets;

(b) Working in consultation with Asset Custodians to determine the Useful Life, classification, and Residual Value of Tangible Capital Assets;

(c) Working in consultation with Asset Custodians to determine the need for and to componentize Tangible Capital Assets into easily identifiable Componentized Assets;

(d) Working in consultation with Asset Custodians to determine the need for and to segment Tangible Capital Assets into easily identifiable Linear Segments;

(e) Informing Asset Custodians of Fixed Asset IDs assigned to new Tangible Capital Assets;

(f) Recording to and reconciling Capital Costs in Work-In-Progress;

(g) Transferring Capital Costs from Work-In-Progress to relevant asset classes and sub-classes as described in Appendix C;

(h) Recording amortization, write-down, and disposal of Tangible Capital Assets; and

(i) Reporting value of Tangible Capital Assets by asset classes as described in Appendix C.

3.4 **Financial Services is responsible for determining if**

(a) Acquired assets meet the capital recognition criteria of control, continuous use, Useful Life, and Capitalization Threshold;

(b) Leasing arrangements meet the capital lease recognition criteria of ownership, lease term, and lease payment;

(c) Improvements to leased assets meet the leasehold improvement recognition criteria of ownership, source of payment and duration of use;

(d) Modifications are betterments, repairs and maintenances, or replacements;

(e) Capital Costs should be expensed as result of changes to construction/development plans;

(f) Capitalization Threshold for each asset class and sub-classes should be revised; and

(g) New asset sub-classes should be created.

4. RECOGNITION

4.1 The City gains control over an asset when all of these statements are true:

(a) The asset create revenues or reduce expenses by providing goods and services;

(b) The City can deny or regulate access to goods and services produced by the asset;

(c) The City is exposed to risks associated with goods and services produced by the asset; and

(d) The above statements are true as result of transactions or events that occurred in the past.

4.2 Control does not necessarily mean ownership of the asset. For example, the City may control an asset through leasing arrangement and not legally own the asset.

4.3 Control over contributed and donated Tangible Capital Assets are passed to the City when all right, title and interest therein are transferred to the City without any cost or expense to the City. This is typically signified by the City issuing a “Final Construction Completion” certificate for the local improvements and the developer/donor submitting to the City a list of the final costs.

4.4 Assets that fall below the Capitalization Threshold, but otherwise meet the definition of a Tangible Capital Asset, are recorded to operating expense as Furniture & Equipment costs.

4.5 Assets that fall below the Capitalization Threshold and lasts for less than 1 year are recorded to operating expense as Supplies & Materials costs.

4.6 When minor purchases are integral to the construction/development of a larger asset, then the value of the larger asset will be used to evaluate Capitalization Threshold. For example, if a hard drive worth $500 is purchased to build a server worth $10,000 then the hard drive will be recognized as Capital Cost and part of the server’s total value.

4.7 Each Tangible Capital Asset shall be assigned one unique Fixed Asset ID by Financial Services, which will be used for tracking the Tangible Capital Asset across all City software systems.

4.8 When the asset as a whole is recognized as a Tangible Capital Asset, each Linear Segment or Componentized Asset will be assigned unique Fixed Asset IDs.

4.9 Tangible Capital Assets will be broken down into Componentized Assets if both of these statements are true:

(a) Assets can be isolated into parts with values that are significant to the whole; and

(b) There are significant differences in the replacement and maintenance schedules of each part.

4.10 Tangible Capital Assets similar to roads, highways, pipelines, power lines, and fibre optics can be broken down into Linear Segments based on:

(a) Reference points with clear and non-overlapping starting and ending points; or

(b) Reference points containing defined roadway features.

4.11 Leased assets are recognized by the City as Tangible Capital Assets only when they meet most of the following additional criteria:

(a) It is reasonable to assume that the City will obtain ownership of the asset at end of the lease;

(b) The City's lease term makes up more than 75% of the asset's Useful Life; or

(c) The City's payments makes up more than 90% of the asset's Fair Market Value.

4.12 Improvements to leased assets are recognized as the City's Tangible Capital Assets only when they meet most of the following additional criteria:

(a) The improvements are for leased assets where the City will not obtain ownership of the leased asset at the end of the lease;

(b) The improvements added must be for leased asset that have terms of longer than one year;

(c) The City must pay for the improvements; or

(d) The improvements will either have no further benefit to the City or belong to the lessor when the lease term is finished.

4.13 Betterments are added to the value of the Tangible Capital Asset that is being improved. Refer to Appendix E for examples of Betterments.

4.14 Renovations to buildings above Capitalization Threshold are considered Betterments, unless it is proven to Financial Services that the work is to meet the minimal standards set by the Alberta Building Code.

4.15 Modifications that essentially replaces a Tangible Capital Asset is considered disposal of the existing asset and recognition of a new Tangible Capital Asset.

4.16 Tangible Capital Assets are disposed in accordance with the City's Surplus Assets Policy GEN-014-A when they are sold, destroyed, replaced, or can no longer function as intended.

5. CLASSIFICATION

5.1 Financial Services will collaborate with Asset Custodians to classify Tangible Capital Assets into the asset class and sub-class that best represent its intended use.

5.2 New sub-classes are created by Financial Services when there is informational value in further classifying Tangible Capital Assets.

6. MEASUREMENT

6.1 Capital Costs must directly contribute to a Tangible Capital Asset being in its intended location and condition.

6.2 Significant changes to capital projects may cause prior construction/development to be obsolete. Cost of these construction/development will be removed from Work-In-Progress and expensed as Loss On Disposal in the current period.

6.3 When Tangible Capital Assets are In-Use, its associated Capital Costs will be moved from Work-In-Progress to the relevant asset class.

6.4 When a capital project is identified as fully completed by its project manager, any Capital Cost remaining in Work-In-Progress will be moved to the relevant asset class and recognized as a Betterment to the Tangible Capital Asset.

6.5 Any costs incurred after the capital project is identified as fully completed will be expensed as operating expense.

6.6 Total Capital Costs of contributed and donated Tangible Capital Assets are deemed to be the Fair Market Value on the date control is passed to the City.

6.7 When one acquisition or construction/development results in multiple Tangible Capital Assets being recognized, the total Capital Costs is allocated to each asset based on its Fair Market Value.

6.8 When one acquisition or construction/development result in multiple Tangible Capital Assets being recognized but one of the asset is not intended for use, its Capital Cost and Residual Value is allocated to the other assets.

6.9 Residual Value is assumed to be $0, unless it is proven to Financial Services that there is a guaranteed sales price for the Tangible Capital Asset upon its disposal.

6.10 Amortization start on the day that the Tangible Capital Asset is In-Use as indicated in the "Tangible Capital Asset Acquisition" form.

6.11 Amortization ends on the day that the Tangible Capital Asset is disposed as indicated in the "Tangible Capital Asset Disposal" form or reach its Useful Life.

6.12 Useful Life of Tangible Capital Assets that are leased or are improvements to leased assets is equal to the lease term, unless the lease contains term that allow ownership to pass to the City or a bargain purchase option.

6.13 Any proceeds that the City receives from disposing a Tangible Capital Asset, above the cost of disposal and its Net Book Value, is recorded as Gain/Loss On Disposal in the current period.

6.14 The City reports in its financial statements the total Capital Cost, total amortization to date, and Net Book Value of Tangible Capital Assets by asset classes.

7. REVIEW

7.1 Capitalization Thresholds will be reviewed regularly and may be revised if any of the following indicators exist:

(a) Financial statements are materially misstated as result of not recognizing assets;

(b) Cost of recognizing and tracking Tangible Capital Assets outweighs the informational benefits;

(c) Information are not kept for assets that require long-term management plans; or

(d) Fees and charges are significantly higher as result of not recognizing assets' value over time.

7.2 Useful Life and Net Book Value of each Tangible Capital Asset will be reviewed regularly and may be revised if any of the following indicators exist:

(a) Betterments are added to the asset;

(b) Extensive and permanent damage are done to the asset;

(c) Asset is removed from service for extended periods;

(d) Significant change in how the asset will be used in the future;

(e) Significant changes to the asset's maintenance and replacement program; or

(f) Changes in technology, law and environment causing the asset to be outdated.

7.3 Residual Value of each Tangible Capital Asset will be reviewed regularly and may be revised if there is sufficient evidence that the guaranteed sales price for the asset have changed.

7.4 Tangible Capital Assets will be partially disposed if its future benefit is less than its Net Book Value, with the difference recorded to Loss On Disposal in the current period. Partial disposals of Tangible Capital Assets cannot be reversed.

Appendix A: Checklist for Capital Project Closure

Checklist for Departments	
1.	Confirm the Tangible Capital Asset is functioning as intended and all deliverables are met.
2.	Confirm with vendors that all invoices have been received and issues are resolved.
4.	Inform Financial Services that the Tangible Capital Asset is In-Use by: a) Completing the “Tangible Capital Asset Acquisition” form; or b) Submitting an Excel Spreadsheet listing the contributed Tangible Capital Assets.
5.	Inform all relevant parties that the Tangible Capital Asset is ready for use, including Financial Services and Legislative Services.
6.	Forward to Financial Services any invoices required to fully complete the capital project.
7.	Inform Financial Services that the capital project is fully complete by completing the “Capital Project Closure” form.

Checklist for Financial Services	
1.	Review the “Tangible Capital Asset Acquisition” form and confirm that: a) All Capital Costs have been recorded to Work-In-Progress; b) Asset Custodian’s estimate of Useful Life is reasonable; c) Asset Custodian’s estimate of Residual Value is sufficiently validated; d) Asset Custodian’s classification of the asset is reasonable; and e) Asset should be broken up into Componentized Assets or Linear Segments.
2.	Setup the Tangible Capital Assets within Microsoft Dynamics Great Plains and asset management software.
3.	Inform Asset Custodians of the assigned Fixed Asset ID.
4.	Process any invoices required to fully complete the capital project.
5.	Review the “Capital Project Closure” form and confirm that all future cost will be recorded to operating expense.
6.	Setup any remaining Capital Costs as Betterments to the associated Tangible Capital Assets within Microsoft Dynamics Great Plains and asset management software.

Appendix B: Asset Componentization

A permanent building can be divided into the following Componentized Assets:

(a) Site and foundation;

(b) Framing;

(c) Roofing;

(d) Windows and doors;

(e) Exterior walls, sidings, and fencing;

(f) External platforms and decks;

(g) Interior walls;

(h) Flooring and carpeting;

(i) Supervisory Control and Data Acquisition systems (incl. fire protection and security systems);

(j) HVAC systems;

(k) Furnaces, hot water tanks, and boilers within the building;

(l) Generators within the building;

(m) Plumbing systems within the building;

(n) Electrical systems within the building;

(o) Interior and exterior lights;

(p) Furniture purchased as part of the capital project;

(q) Swimming pools;

(r) Ice plants, chillers, and supporting infrastructure; and

(s) Elevators.

The following are not considered part of a permanent building:

(a) Furniture purchased after the capital project is fully completed; and

(b) Parking lots.

Appendix C: Example of Tangible Capital Assets for Each Asset Class and Sub-Class

Asset Class	Asset Sub-Class	Example of Assets
Building	Permanent Structures	Site and foundations; Framing Roofing; Windows and doors; Exterior walls, sidings, and fencing; External platforms and decks; Interior walls; Flooring and carpeting; Plumbing systems within the building; Electrical systems within the building; Interior and exterior lights; and Elevators
	Portable Structures	Salt sheds; Bus shelters; Pavilions; and Shower trailers
Engineered Structures	Roadway	Traffic controls; Road surfaces; Road sub-surfaces; Curbs, gutters, medians, and guard rails; Sidewalks, para-ramps, and ramps; Bridges; Overpass and interchanges; and Structural parking facilities
	Water Systems	Distribution mains and services; Pumps, lifts, and transfer stations; Treatment plants, facilities, and equipment; Hydrants and fire protection; Valves; and Reservoirs
	Wastewater Systems	Collection mains and services; Pumps, lifts, and transfer stations; Treatment plants, facilities, and equipment; Lagoons; and Manholes
	Storm Systems	Collection mains and services; Pumps, lifts, and transfer stations; Treatment plants, facilities, and equipment; Catch basins and outfalls; and Wetlands and retention ponds
	Fibre Optics	

Asset Class	Asset Sub-Class	Example of Assets
Engineered Structures	Electricity Systems	Boilers and generators; Combustion turbines; Wind turbines; Condensate tanks; Gas compressors; Transformers; Switchgears; Protection systems; Insulators; Towers and fixtures; Poles and fixtures; Overhead conductors and devices; Underground conductor and devices; and Electrical plants
Land	Parks	Lakes and ponds
	Sites	Land for expansions; and Right-of-ways
Land Improvement	Outdoor Walls	Fences and gates; and Retaining walls
	Recreation and Landscaping	Fountains; Sprinkler systems; Outdoor soccer fields and tennis courts; Paths for biking and jogging, including signage; Running tracks; Playground structures such as skate parks and spray parks; and Golf courses
	General	Parking lots; Street lights; and Landfill sites
Machinery & Equipment	Permanent Structures	Supervisory Control and Data Acquisition systems (incl. fire protection and security systems); HVAC systems; Generators within the building; Furnaces, hot water tanks, and boilers within the building; Furniture purchased as part of the capital project; Swimming pools; and Ice plants, chillers, and supporting infrastructure

Asset Class	Asset Sub-Class	Example of Assets
Machinery & Equipment	Specialized Stationary Equipment	Industrial washers and drying racks; Oxygen tanks and refill machine; SCBA mask fitting machine; Telephone recording system, such as "EVENTIDE"; Camera system, such as "Watch Guard"; Radar and radio units; Commercial ovens and freezers; Fitness and wellness equipment; Industrial weighing equipment; Laboratory; and AV systems
	Stationary Equipment	Forklifts; Welding machines; Fueling stations; Electrical, gas, and water meters; Compactor bins; and Parking meters
	Mobile Equipment	Ice re-surfacing machine (i.e. Zambonis); Mowers; Tractors; Boats; Loaders; Graders; Skidsteers; Mobile message boards; Toolcats; and Street sweepers
	Information Technology	Telephone system; Photocopier; Projectors and display systems; Software (incl. operating system); and Hardware (incl. servers, network storage)
Vehicles	Light Duty Vehicles	½ ton trucks; ¾ ton trucks; and 1 ton trucks
	Medium Duty Trucks	1.5 ton trucks; and 2 ton trucks
	Heavy Duty Trucks	Snow plow/dump trucks; Gravel/plow trucks; Water trucks; and Arborist lift trucks
	Specialized Vehicles	Fire trucks; Municipal enforcement vehicles; and Transit buses

Appendix D: Capitalization Threshold by Asset Class

Asset Class	Example of Capital Costs	Capitalization Threshold
Building	• Purchase price (not including GST and HST); • Construction costs, such as to remodel, recondition or alter a purchased building to make it usable; • Preparation costs, such as to prepare plans, blueprints, and specifications; • Pre-acquisition costs, such as to acquire building permits; • Professional fees for title searches, architect, legal engineering, appraisals, and environment surveys; • Operating costs, such as temporary accommodations used during construction • Salary and benefit of employees who directly contributed and spend a substantial (more than 50%) of their time on the construction - does not include time spent on oversight and administration; and • External borrowing costs incurred during construction, not including periods when there's no active construction	$25,000
Engineered Structures	• Purchase price (not including GST and HST); • Direct construction costs, incl. tender construction costs, labor, materials, survey costs, and project-specific design costs; • Salary and benefit of employees who directly contributed and spend a substantial (more than 50%) of their time on the construction - does not include time spent on oversight and administration; and • External borrowing costs incurred during construction, not including periods when there's no active construction	$25,000

Asset Class	Example of Capital Costs	Capitalization Threshold
Land	• Purchase price (not including GST and HST); • Professional fees for title searches, legal, appraisals, and environmental surveys; and • Other material, labor, and contractor costs to restore land for future use; incl. demolition of existing buildings (less salvage), and pollution mitigation	$0
Land Improvement **Machinery & Equipment** **Vehicles**	• Complete invoice price, incl. freight, currency exchanges (not including GST and HST), and one-time licensing fees; • Professional fees for title searches, architect, legal engineering, appraisals, and environment surveys; • Construction costs, such as to remodel, recondition or alter a purchased land to make it ready for use; • Preparation costs, such as to prepare plans, blueprints, and specifications; • External borrowing costs incurred during construction/development, not including periods when there's no active construction/development; • Salary and benefit of employees who directly contributed and spend a substantial (more than 50%) of their time on the construction/development (designing software configuration, coding, software installation, and software testing) - does not include time spent on oversight and administration; • Material and contractor costs associated with construction/development (designing software configuration, coding, and software installation, and software testing); and • Post-purchase costs, such as installation charges, testing, and cost to recondition used assets	$10,000

Appendix E: Example of Betterment vs Repair and Maintenance

Betterment (if cost is above Capitalization Threshold)	**Repair and Maintenance**
Increases in the number of physical output or amount of service provided: • Adding new wings to an existing building • Increasing the number of interior walls in the office area to create more offices spaces • Installing air conditioning in a building that was previously not air-conditioned • Purchase of additional license keys, allowing more employees to access the software	No change in the number of physical output or amount of service provided: • Repair buildings damaged by fire, flood or accidents to the condition prior to the event • Remodeling costs, such as repainting walls and re-carpeting
Reducing associated operating costs: • Replacing existing lighting with energy saving lighting, beyond the minimal requirement set by the Alberta Building Code • Replacing existing furnace with a high efficiency furnace, beyond the minimal requirement set by the Alberta Building Code	Maintain same associated operating costs: • Repairing a faulty HVAC system with new parts, restoring it to operating conditions • Replacing windows in a building in order to bring it back to code.
Extends asset's useful life: • Major road asphalt resurfacing, extending the initially expected Useful Life of the road • Replacing the entire roof, extending the initially expected Useful Life of the building	Does not extend asset's useful life: • Partial or minor resurfacing of a road asphalt overlay, required for the road to be operational until the end of its Useful Life • Replacing roof shingles or repairing broken windows, required for the building to be operational until the end of its Useful Life
Improvement in quality of physical output or service capability: • Upgrades and customizations to a software, enabling it to perform new functionalities • Significant upgrades to a building's electrical system, increasing the number of computer workstation connections	No improvement in quality of physical output or service capability: • Coding changes to a software, required for it to remain compatible or to correct "bugs fixes" • Routine cleaning and servicing of equipment to ensure it can provide service at the quality intended by the manufacturer

Appendix F: Recommended Useful Life by Asset Sub-Class

Asset Sub-Class	Example of Assets	Expected Useful Life (in years)	Annual Amortization Percentage
Permanent Structures (Buildings)		50	2.0%
Portable Structures	Salt sheds; Bus shelters; and Pavilions	25	4.0%
	Shower trailers	15	6.67%
Roadway	Traffic controls	30	3.33%
	Major road surfaces – concrete	30	3.33%
	Major road surfaces – asphalt concrete	20	5.0%
	Major road surfaces – chip seal	10	2.0%
	Major road surfaces – oil	5	20.0%
	Major road surfaces – gravel	25	4.0%
	Major road sub-surfaces	40	2.5%
	Lanes and alleys – asphalt concrete	20	5.0%
	Lanes and alleys – gravel	15	6.67%
	Sidewalks, para-ramps, and ramps	40	2.5%
	Curbs, gutters, medians, and guard rails	40	2.5%
	Bridges	60	1.67%
	Overpass and interchanges	60	1.67%
	Structural parking facilities	50	2.0%
Water Systems	Distribution mains and services	75	1.33%
	Pumps, lifts, and transfer stations	25	4.0%

Asset Sub-Class	Example of Assets	Expected Useful Life (in years)	Annual Amortization Percentage
	Treatment plants, facilities, and equipment	45	2.22%
	Hydrants and fire protection	75	1.33%
	Reservoirs	45	2.22%
Wastewater Systems	Collection mains and services	75	1.33%
	Pumps, lifts, and transfer stations	25	4.0%
	Treatment plants, facilities, and equipment	45	2.22%
	Manholes	75	1.33%
	Lagoons	45	2.22%
Storm Systems	Collection mains and services	75	1.33%
	Pumps, lifts, and transfer stations	25	4.0%
	Treatment facilities and equipment	45	2.22%
	Catch basins and outfalls	75	1.33%
	Manholes	75	1.33%
	Wetlands and retention ponds	75	1.33%
Fibre Optics		30	3.33%
Electricity Systems	Boilers and generators	30	3.33%
	Combustion turbines	20	5.0%
	Wind turbines	30	3.33%
	Condensate tanks	10	10.0%
	Gas compressors	20	5.0%
	Transformers	40	2.5%
	Switchgears	35	2.86%

Asset Sub-Class	Example of Assets	Expected Useful Life (in years)	Annual Amortization Percentage
	Protection systems	20	5.0%
	Insulators	60	1.67%
	Towers and fixtures	38	2.63%
	Poles and fixtures	38	2.63%
	Overhead conductors and devices	35	2.86%
	Underground conductors and devices	40	2.5%
	Electrical plants	80	1.25%
Parks		Infinite	n/a
Sites		Infinite	n/a
Outdoor Walls		20	5.0%
Recreation and Landscaping	Paths and trails for biking or jogging – gravel	15	6.67%
	Paths and trails for biking or jogging – asphalt	20	5.0%
	Running tracks	15	6.67%
	Fountains	20	5.0%
	Sprinkler systems	25	4.0%
	Playground structures	25	4.0%
	Golf courses	45	2.22%
	Outdoor soccer fields and tennis courts	20	5.0%
General	Parking lots – gravel	15	6.67%
	Parking lots – asphalt	25	4.0%
	Street Lights	20	5.0%
	Landfill Sites	25	4.0%

Asset Sub-Class	Example of Assets	Expected Useful Life (in years)	Annual Amortization Percentage
Permanent Structure (Machinery & Equipment)	HVAC systems	15	6.67%
	Generators within the building; and Furnaces, hot water tanks, and boilers within the building	30	3.33%
	Supervisory Control and Data Acquisition system (incl. fire protection and security systems); and Furniture purchased as part of the capital project;	7	14.29%
	Swimming pools; Ice plants, chillers and supporting infrastructure	25	4.0%
Specialized Stationary Equipment	Industrial washers and drying racks; Oxygen tanks and refill machine; and SCBA mask fitting machine	12	8.3%
	Telephone recording systems, such as “EVENTIDE”; Camera systems, such as “Watch Guard” ; Radar and radio units; Commercial ovens and freezers; Fitness and wellness equipment; Laboratory; and AV systems	10	10.0%
	Industrial weighing equipment	15	6.67%

Asset Sub-Class	Example of Assets	Expected Useful Life (in years)	Annual Amortization Percentage
Stationary Equipment	Forklifts; Welding machines; Fueling stations; and Compactor bins	15	6.67%
	Electrical, gas, and water meters; and Parking meters	20	5.0%
Mobile Equipment	Light duty mowers	3	33.33%
	Medium duty mowers	2	50%
	Heavy duty mowers	5	20%
	Tractors	10	10%
	Toolcats; and Street sweepers	6	16.67%
	Ice re-surfacing machine (i.e. Zambonis)	8	12.5%
	Skidsteers	1	100%
	Boats	25	4.0%
	Mobile message boards	20	5%
	Back hoe loaders; and Front end loaders	5	20.0%
	Graders	10	10.0%

Asset Sub-Class	Example of Assets	Expected Useful Life (in years)	Annual Amortization Percentage
Information Technology	Telephone system; Photocopiers; Projectors and display systems; Software	10	10.0%
	Hardware	4	25%
Light Duty Vehicles	½ ton trucks; ¾ ton trucks; 1 ton trucks	12	8.33%
Medium Duty Trucks	1.5 ton trucks; 2 ton trucks	12	8.33%
Heavy Duty Trucks	Snow plow/dump trucks; and Gravel/plow trucks	15	6.67%
	Arborist lift trucks; and Water trucks	10	10%
Specialized Vehicles	Municipal enforcement vehicles	8	12.5%
	Transit buses	6	16.67%
	Fire trucks	20	5.0%