



**City of
Lloydminster**

Policy

Policy Title:	Tangible Capital Asset Policy	Policy Number:	134-13
Date of Adoption:	October 2, 2023	Motion Number:	351-2023
Date of Amendment:		Motion Number:	

1. Purpose

- 1.1. To ensure consistent accounting treatment of Tangible Capital Assets in accordance with section PS 3150 of the Public Sector Accounting Standards including, but not limited to, Classification, Capitalization, Amortization, and subsequent changes.
- 1.2. To present information about the complete list of the City’s Tangible Capital Assets.
- 1.3. To demonstrate stewardship and the Cost of using Tangible Capital Assets in the delivery of municipal programs and services.

2. Definitions:

Accumulated Amortization	The total consumed or used portion of the TCA which is equal to the sum of all Amortization charges made.
Administration	An employee or Contract employee of the City of Lloydminster.
Amortization	The process of expensing TCA’s original Cost less its Residual Value over its Useful Life in a rational and systematic manner appropriate to its nature and use.
Asset Register	A complete listing of the City’s Tangible Capital Assets.
Betterments	Subsequent expenditures on a recorded TCA that: <ul style="list-style-type: none"> • increase previously assessed physical output or service capacity; • lower associated operating Costs; • extend the Useful Life of the asset; or • improve the quality of the output.
Capital Lease	A lease with the characteristics of an owned asset where the lease has contractual terms that transfers substantially all of the benefits and risks of ownership in an asset to the City.

	<p>For substantially all of the benefits and risks of ownership to be transferred, one or more of the following conditions must be met:</p> <ul style="list-style-type: none"> i. reasonable assurance that the City will obtain ownership of the leased property by the end of the lease term; ii. lease term is of such a duration that the City will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span; or iii. lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement.
Capitalization	Adding an asset to the Asset Register and recording it on the City's balance sheet.
Capitalization Threshold	The minimum value of an expenditure that meets the criteria to be recorded as a TCA.
City	The corporation of the City of Lloydminster.
City Manager	The Commissioner of the City of Lloydminster as appointed by Council or designate.
Component Asset Approach	Method of Capitalization and classification where different components are individually capitalized and amortized.
Contributed Assets	TCAs that have been transferred or donated to the City by another entity. These assets provide a future economic benefit and will be controlled by the receiving City.
Cost	The total consideration (at Fair Value) given to acquire, construct, develop, or better a TCA, and includes all Costs directly attributable to acquisition, construction, development or Betterment, including installing the asset at the location and in the condition necessary for its intended use.
Disposal	The removal of a TCA from service as a result of a sale, destruction, loss or abandonment. Disposals reduce the Cost and Accumulated Amortization to zero.
Fair Value	Amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no obligation to act.
Member of Council	An individual elected pursuant to <i>The Local Government Election Act</i> (Saskatchewan) as a Member of Council.
Net Book Value	Equal to an assets Cost, less both Accumulated Amortization and the amount of any write downs.

Network Approach	Method of Capitalization and classification where an asset is considered to be an assembly of connected parts. Costs of all parts would be capitalized and amortized as a single asset by year of acquisition.
Non-Financial Assets	Assets that have an economic life that extends beyond the accounting period and that are intended for consumption or use in the normal course of operations. They are employed to deliver municipal services, may be consumed or used up in the delivery of those services, and are generally not for sale.
Residual Value	Estimated net realizable value of a TCA at the end of its Useful Life to a City. This is calculated as salvage value minus the Cost of disposing of the asset.
Service Potential	Output or capacity of a TCA to provide services normally determined by reference to attributes such as physical output capacity, quality of output, associated operating Costs, and Useful Life.
Straight Line Method of Amortization	Method of Amortization which assumed the asset's economic usefulness is the same each year. The Amortization amount is determined by dividing the asset's original Cost, less any Residual Values, by its estimated Useful Life in years.
Tangible Capital Asset (TCA)	Non-Financial Assets with physical substance that: <ul style="list-style-type: none"> i. are held for use in the production or supply of goods and services, rental to others, administrative purposes, or for the development, construction, maintenance or repair of other tangible capital assets; ii. has a Useful Life of more than five years; iii. will be used on a continuing basis; and iv. are not for sale in the ordinary course of operations.
Useful Life	Estimate of either the period over which a TCA is expected to be used by the City, or the number of production or similar units that can be obtained from the TCA by the City.
Work in Progress (WIP)	The accumulation of capital Costs for partially constructed or developed projects over time until it is complete.
Write-down	A reduction in the Cost of a TCA as a result of a decrease in the quality or quantity of its Service Potential.

3. Scope

3.1. This policy applies to all TCAs, Betterments and Contributed Assets controlled by the City.

- 3.2. This policy does not apply to intangible assets, natural resources, and Crown lands that have not been purchased by the City.
- 3.3. This policy applies to all City departments.

4. Responsibilities

- 4.1. Council is responsible for approving this Policy and any amendments.
- 4.2. The City Manager is responsible for implementing this Policy and approving related procedures.
- 4.3. The Finance Department is responsible for:
 - 4.3.1. the overall enforcement and administration of this Policy;
 - 4.3.2. the development, maintenance, and testing of the Asset Register;
 - 4.3.3. providing support to those employees involved in the purchasing, acquisition, sale, and maintenance of TCAs to ensure the upkeep of accurate records;
 - 4.3.4. making recommendations to the City Manager of necessary policy or procedure amendments.
- 4.4. Employees are responsible for:
 - 4.4.1. keeping accurate records when purchasing, acquiring, selling, and maintaining TCAs;
 - 4.4.2. providing the Finance Department with the required information to account for TCAs accurately.

5. Capitalization

- 5.1. Expenditures that meet the definition of a TCA will be capitalized.
- 5.2. Subsequent expenditures on existing TCAs that meet the definition of a Betterment will be capitalized.
- 5.3. Assets under a Capital Lease shall be capitalized at the inception of the lease.
- 5.4. Assets are considered complete and are capitalized at the earliest of:
 - 5.4.1. when it is capable of being used or in service;
 - 5.4.2. occupancy; or
 - 5.4.3. maintenance start date documented on a Construction Completion Certificate.

5.5. The following items will not be capitalized as TCAs and shall be expensed in the period they occur:

- 5.5.1. repairs and preventative maintenance Costs to maintain the TCA's original Service Potential during its Useful Life;
- 5.5.2. inventory and supplies used to deliver municipal services;
- 5.5.3. general studies and Master Plans; or
- 5.5.4. works of art and historical treasures (i.e., public art).

5.6. A Capitalization Threshold is implemented for each major asset class, except for land which is always capitalized due to its permanent nature. The cumulative Cost of the TCA must exceed the threshold to be eligible for Capitalization.

5.7. Capitalization Thresholds are as follows:

Land	-
Land Improvements	\$25,000
Buildings	\$100,000
Engineered Structures	\$100,000
Machinery & Equipment	\$25,000

5.8. Projects that are budgeted as capital but do not meet the threshold for Capitalization are expensed in the year in which they are completed.

6. Work in Progress

6.1. Costs incurred to develop and/or construct TCA that are not ready for use are accumulated in WIP.

6.2. Assets that are considered WIP are not capitalized until the TCA meets the criteria per section 4 - Capitalization. At this point, the appropriate transfer will occur to move the WIP to the relevant completed asset category.

6.3. For projects that have distinct, multiple, self-sustaining phases that will be brought into production or use at different points in time, professional judgement will be used to determine the timing of when the asset is transferred from WIP to the Asset Register.

6.4. The Costs incurred for WIP at the end of an accounting period will be reported as an asset on the financial statements, but will not be amortized in the accounting period.

6.5. WIP balances will be reviewed, at a minimum, on an annual basis.

7. Measurement – Cost

- 7.1. TCAs are recorded at Cost.
- 7.2. Capital Costs can include purchase price, installation Costs, design and engineering fees, legal fees, survey Costs, site preparation Costs, freight charges, construction and development Costs and directly attributable overheads, excluding administration salary, wages, and benefits.
- 7.3. The Cost of interest incurred while an asset is constructed or developed over time is not capitalized.
- 7.4. The Cost of each TCA acquired as part of a single purchase (for example, the purchase of a building and land for a single amount) is determined by allocating the total price paid for all the TCA acquired to each one based on its relative Fair Value at the time of acquisition.
- 7.5. Governments may receive contributions of TCA. The Cost of a contributed TCA is considered equal to its Fair Value at the date of contribution. Fair Value of a contributed TCA may be estimated using market or appraisal values. In unusual circumstances, where an estimate of Fair Value cannot be made, the TCA would be recognized at a nominal value.
- 7.6. The Cost of a leased asset is determined in accordance with Public Sector Guidelines PSG-2, Leased Tangible Capital Assets.
- 7.7. Capital grants are not netted against the Cost of the related TCA.

8. Asset Register

- 8.1. Assets will be classified into major, minor, and subclass categories.

Major	A group of TCAs that is significantly different in design and use.
Minor	A classification within a major class that has unique characteristics.
Subclass	A further classification that may be required due to unique TCA criteria, applications, methodologies and asset lives.

- 8.2. The major asset classifications are defined in Schedule "A".
- 8.3. The framework of Major, Minor, and Subclass classifications is shown in Schedule "B".

- 8.4. A standard naming and numbering convention will be used to identify TCAs in the Asset Register. All required information regarding the asset will be documented and supported.

9. Division of Assets

- 9.1. Assets will be distributed to asset classes using either the Network Approach or the Component Approach. Factors that will influence the choice of method include:
 - 9.1.1. significance of amounts;
 - 9.1.2. quality of individual asset components;
 - 9.1.3. availability of information with respect to specific components;
 - 9.1.4. specific information needs of management for decision-making and asset control purposes.
- 9.2. TCA records for linear infrastructure may be segmented by geographic location. For example, roads or waterworks can be recorded for each block, mile, subdivision, etc., using the Network Approach.

10. Pooled Assets

- 10.1. An asset pool is a grouping of identical, similar, or related TCA. It does not include constructed assets comprised of multiple components.
- 10.2. Asset pools that have an individual asset value below the capitalization threshold will be pooled, capitalized, and amortized if the combined value of the asset pool acquired in the fiscal year exceeds \$100,000. In all other cases, the individual asset value will be used to determine whether the capitalization threshold is met, not the pooled value.

11. Amortization & Useful Life

- 11.1. The Cost, less any Residual Value, of a TCA with a limited life should be amortized over its Useful Life.
- 11.2. All TCAs are amortized on a straight-line basis.
- 11.3. Residual Value will only be included in calculating Amortization if Residual Value exceeds \$10,000.
- 11.4. Useful Life will be assumed to be equal to the maximum Useful Life, unless adequate evidence suggests another Useful Life is more accurate. See Schedule "B" for a summary of maximum Useful Life by asset class.

- 11.5. The estimate of Useful Life should be reviewed on a regular basis and revised when the appropriateness of a change can be clearly demonstrated. The Useful Life of an asset may require revision during its life due to significant events, such as physical damage, technological developments, or a significant change in use. The effect of this change will be recorded in the subsequent year after revision and future years.
- 11.6. The Amortization of the Costs of TCA should be accounted for as expenses in the statement of operations.
- 11.7. Amortization is not charged in the year of acquisition.
- 11.8. Assets considered as WIP are not amortized until substantially complete and available for productive use.

12. Write-downs

- 12.1. Assets should be reviewed on a regular basis to assess if conditions indicate that the asset no longer contributes to the City's ability to provide goods and services, or that the value of future economic benefits associated with the TCA is less than its book value, the Cost of the TCA should be reduced to reflect the decline in the asset's value. Such conditions may include:
 - 12.1.1. change in the extent to which the TCA is used;
 - 12.1.2. a change in the manner in which the TCA is used;
 - 12.1.3. significant technological developments;
 - 12.1.4. physical damage;
 - 12.1.5. removal of the TCA from service;
 - 12.1.6. decline in, or cessation of, the need for the services provided by the TCA;
 - 12.1.7. a decision to halt construction of the TCA before it is complete or in usable or saleable condition; and
 - 12.1.8. a change in the law or environment affecting the extent to which the TCA can be used.
- 12.2. The net Write-down of assets should be accounted for as an expense in the statement of operations.
- 12.3. A Write-down should not be reversed.

13. Disposals

- 13.1. When TCA are disposed of, department managers will notify the Finance Department of the TCA description, effective date, and any sale proceeds.

- 13.2. The Finance Department will adjust the Asset Register and accounting records accordingly.
- 13.3. The difference between the net proceeds on Disposal of a TCA and the Net Book Value of the asset will be accounted for as a revenue or expense in the statement of operations.

14. Presentation and Disclosure

- 14.1. TCAs will be accounted for and reported as assets on the statement of financial position.
- 14.2. The financial statements will disclose, for each major category of TCAs, the following:
 - 14.2.1. Cost at the beginning of the period;
 - 14.2.2. additions in the period;
 - 14.2.3. Disposals in the period;
 - 14.2.4. the amount of any Write-downs in the period;
 - 14.2.5. the amount of Amortization in the period;
 - 14.2.6. Accumulated Amortization at the beginning and end of the period;
 - 14.2.7. net carrying amount at the beginning and end of the period.
- 14.3. The financial statements will disclose other information about the TCAs such as:
 - 14.3.1. Amortization methods and rates,
 - 14.3.2. TCAs under construction,
 - 14.3.3. the nature and amount of contributed TCAs,
 - 14.3.4. the nature of TCAs recorded at a nominal value,
 - 14.3.5. the nature of the works of art or historical treasures held by the City.

15. Penalty:

- 15.1. Any member of Administration found to be in violation of this Policy may be subjected to a disciplinary action. Such action may be dependent upon the nature of the breach of this Policy; discipline may range from a verbal warning to dismissal with cause.
- 15.2. Any Member of Council found to be in violation of this Policy may be dealt with utilizing the "*Code of Conduct Bylaw*" or provisions of "*The Lloydminster Charter*."

Schedule "A"

Major Asset Categories Defined

Land	Land includes land purchased or acquired for value for parks and recreation, municipal reserve, building sites, infrastructure (highways, dams, bridges, tunnels, etc.) and other program use, but not land held for resale.
Land Improvements	All improvements of a permanent nature to land such as parking lots, landscaping, lighting, pathways, and fences
Buildings	Permanent, temporary or portable building structures, such as offices, garages, warehouses, and recreation facilities intended to shelter persons and/or goods, machinery, equipment and working space.
Machinery & Equipment	Equipment that is heavy equipment for constructing infrastructure, smaller equipment in buildings and offices, furnishings, computer hardware and software. This class does not include stationary equipment used in the engineered structures class. Includes vehicles, defined as rolling stock that is used primarily for transportation purposes.
Engineered Structures	Permanent structural works such as roads, bridges, canals, dams, water and sewer, and utility distribution and transmission systems, including plants and substations.
	<p>Roadway Assets intended for the direct purpose of vehicle or pedestrian travel or to aid in vehicle or pedestrian travel. Includes roads, bridges, overpasses, ramps, parkades, lights, sidewalks and signage.</p>
	<p>Water System Systems for the provision of water through pipes or other constructed convey. It is normally comprised of assets for the intake, distribution, storage and treatment of safe potable water. It may also be comprised of assets required to distribute non potable water. Includes mains, services, pump and lift stations, plants and equipment, reservoirs and fire hydrants.</p>
	<p>Wastewater System Wastewater is defined as water that has been used for household, business and other purposes, which flows from private plumbing systems to public sanitary sewers and on to a treatment plant. This system is comprised of assets used for the collection and treatment of non-potable water intended for return to a natural water system or other originating water source or used for other environmentally approved purposes. Includes mains, services, pump and lift stations, plants and equipment and lagoons.</p>
	<p>Stormwater System Assets used for the collection, storage and transfer of water as a result of rain, flood or other external source to a natural water system. Includes mains, services, catch basins, pump and lift stations, outfalls and retention ponds.</p>
	<p>Fibre Optics Assets used to transmit information as pulses of light through strands of fibre made of glass or plastic over long distances.</p>

Schedule "B"

Framework of Major, Minor and Subclass Asset Categories, Maximum Useful Life

Major Asset Category	Minor Asset Category	Subclass Category	Maximum Useful Life
Land	General		NA
Land	Parks & Green Spaces		NA
Land	Public Utility		NA
Land Improvement	Parking Lot	Asphalt	25
Land Improvement	Parking Lot	Gravel	15
Land Improvement	Playground Structures		15
Land Improvement	Landscaping	Fences	20
Land Improvement	Landscaping	General Landscaping	25
Land Improvement	Irrigation Systems		25
Land Improvement	Trails	Asphalt	20
Land Improvement	Trails	Gravel	15
Land Improvement	Airport	Airport Surface	15
Land Improvement	Outdoor Sports Fields	Basketball Courts	20
Land Improvement	Outdoor Sports Fields	Tennis Courts	20
Land Improvement	Outdoor Sports Fields	Ball Diamonds	20
Land Improvement	Outdoor Sports Fields	Soccer	20
Land Improvement	Outdoor Sports Fields	Golf	20
Land Improvement	Outdoor Sports Fields	Other	20
Land Improvement	Campground	Campground	20
Land Improvement	Landfill	Pit/Cell	Volume
Land Improvement	Landfill	Pads	Volume
Land Improvement	Landfill	Transfer Stations	25
Buildings	Permanent Structures	Structure	50
Buildings	Permanent Structures	Electrical	20
Buildings	Permanent Structures	HVAC	20
Buildings	Permanent Structures	Mechanical equipment	20
Buildings	Portable Structures	Structure	25
Buildings	Portable Structures	Electrical	20
Buildings	Portable Structures	HVAC	20
Buildings	Portable Structures	Mechanical equipment	20
Buildings	Leasehold improvements	Structure	Variable
Buildings	Leasehold improvements	Electrical	Variable
Buildings	Leasehold improvements	HVAC	Variable
Buildings	Leasehold improvements	Mechanical equipment	Variable
Machinery & Equipment	Communication Equipment		10
Machinery & Equipment	Office Furniture	Boardroom Furniture	15
Machinery & Equipment	Office Furniture	Workstations & Desks	15
Machinery & Equipment	Office Furniture	Public Furniture	15
Machinery & Equipment	Office Equipment		10
Machinery & Equipment	Fuelling Station		15

Machinery & Equipment	Landscaping Equipment		15
Machinery & Equipment	Kitchen Equipment		10
Machinery & Equipment	Fire Equipment		10
Machinery & Equipment	Police Equipment		10
Machinery & Equipment	Fitness Equipment		10
Machinery & Equipment	Recreation Equipment		10
Machinery & Equipment	Computer Hardware/Software		10
Machinery & Equipment	Server & Network		10
Machinery & Equipment	Security Systems		10
Machinery & Equipment	Tools		15
Machinery & Equipment	Small Equipment		15
Machinery & Equipment	Utility Vehicles		15
Machinery & Equipment	Compact Construction Equipment		15
Machinery & Equipment	Heavy Equipment	Graders	10
Machinery & Equipment	Heavy Equipment	Loaders	10
Machinery & Equipment	Heavy Equipment	Street Sweepers	10
Machinery & Equipment	Heavy Equipment	Bulldozers	10
Machinery & Equipment	Heavy Equipment	Compactors	10
Machinery & Equipment	Heavy Equipment	Backhoes	10
Machinery & Equipment	Heavy Equipment	Ice Resurfer	10
Machinery & Equipment	Heavy Equipment	Cranes	10
Machinery & Equipment	Heavy Equipment	Tractors	10
Machinery & Equipment	Heavy Equipment	Excavators	10
Machinery & Equipment	Vehicles	Light Vehicles	15
Machinery & Equipment	Vehicles	Medium Vehicles	15
Machinery & Equipment	Vehicles	Heavy Vehicles	15
Machinery & Equipment	Vehicles	Trailers	15
Machinery & Equipment	Vehicles	Fire Trucks - Aerial	25
Machinery & Equipment	Vehicles	Fire Trucks - Pumper	25
Engineered Structure - Roadway	Bridges		Variable
Engineered Structure - Roadway	Curb & Gutter	Curb & Gutter	30
Engineered Structure - Roadway	Sidewalk	Sidewalk	30
Engineered Structure - Roadway	Roads	Road Surface - Pavement	20
Engineered Structure - Roadway	Roads	Road Surface - Concrete	40
Engineered Structure - Roadway	Roads	Road Surface - Overlays	10
Engineered Structure - Roadway	Roads	Road Substructure	40
Engineered Structure - Roadway	Roads	Gravel Roads	25
Engineered Structure - Roadway	Road Signs		30
Engineered Structure - Roadway	Lights	Street	30
Engineered Structure - Roadway	Lights	Traffic	30
Engineered Structure - Roadway	Guard Rails		30
Engineered Structure - Storm	Collection System		75
Engineered Structure - Storm	Catch Basins		75
Engineered Structure - Storm	Drainage Channel		75
Engineered Structure - Storm	Retention Ponds		75

Engineered Structure - Storm	Outfalls		75
Engineered Structure - Storm	Lift Stations	Pumps	45
Engineered Structure - Storm	Lift Stations	Structure	75
Engineered Structure - Storm	Treatment facility		45
Engineered Structure - Water	Distribution System		75
Engineered Structure - Water	Distribution System	Water Meters	40
Engineered Structure - Water	Hydrants & Valves	Hydrants	75
Engineered Structure - Water	Hydrants & Valves	Valves	75
Engineered Structure - Water	Reservoirs		75
Engineered Structure - Water	Lift Stations	Pumps	45
Engineered Structure - Water	Lift Stations	Structure	75
Engineered Structure - Water	Plants & Facilities	Structures	45
Engineered Structure - Water	Plants & Facilities	Mechanical equipment	25
Engineered Structure - Water	Plants & Facilities	Process equipment	25
Engineered Structure - Wastewater	Collection System		75
Engineered Structure - Wastewater	Lagoons		75
Engineered Structure - Wastewater	Lift Stations	Pumps	45
Engineered Structure - Wastewater	Lift Stations	Structure	75
Engineered Structure - Wastewater	Plants & Facilities	Structures	45
Engineered Structure - Wastewater	Plants & Facilities	Mechanical equipment	25
Engineered Structure - Wastewater	Plants & Facilities	Process equipment	25
Engineered Structure - Fibre Optics	Fibre Optics		30