CITY OF
GRANDE PRAIRIE

POLICY

POLICY NO: 351

APPROVAL DATE: May 28, 2012

TITLE: Tangible Capital Assets

REVISION DATE:

SECTION: Finance

PAGE 1 OF 3

DEPARTMENT: Finance

POLICY STATEMENT

The City of Grande Prairie is committed to
1.1 ~~m~~Maintaining ~~appropriate~~robust accountability for the management of the government's ~~t~~Tangible C~~c~~apital A~~a~~ssets (TCA).~~; to~~
1.2 ~~g~~Gathering and maintaining information needed to prepare financial statements in accordance with the Public Sector Accounting Standards~~Board~~ (PSAS~~B~~) and other international best practices.
1.3 Fulfilling this requirement includes accounting for and reporting ~~Tangible Capital Assets (~~TCAs~~)~~ in compliance with ~~CICA~~CPA Canada Public Sector Accounting Standards Section PS 3150.
1.4 Fulfilling this requirement includes accounting for International Standards Organization (ISO) 55000 Asset Management Principles.

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.~~

The purpose of this council policy (policy) is to:
2.1 Establish transparent and compliant management of the City of Grande Prairie's TCAs in accordance with the PSAS PS 3150 standard and the ISO 55000 Asset Management Principles.
2.2 Provide clear direction and guidelines for the acquisition, maintenance, reporting, and disposal of TCAs, ensuring that financial statements accurately reflect the City's investment in property, plant and equipment.

SCOPE
This policy applies to all City departments, boards and commissions, agencies and other organizations falling within the reporting entity of the City.

DEFINITIONS

"ARO" means Asset Retirement Obligations.

"Asset Management" means the systematic and coordinated activities and practices of an organization aimed at achieving optimal and sustainable outcomes in alignment with its objectives. This involves the cost-effective lifecycle management of a wide range of assets, including both tangible and intangible types, as well as individual components and complex systems.

"Asset Retirement Obligations" (ARO) means a legal or constructive obligation associated with the retirement or disposal of a TCA. It arises when an entity is obligated to perform certain actions in the future, such as removing, dismantling, restoring, or remediating an asset and its surrounding environment, as a result of acquiring, constructing, or using the asset. AROs are completed in accordance to PSAS PS 3280 – Contingent Assets and Contingent Liabilities.

"City" means the municipal corporation of The City of Grande Prairie, having authority under the Municipal Government Act, RSA 2000 C. M-26 and other applicable legislation. Where context requires, City also means the area included within the municipal boundaries of the City.

"ISO" means the International Standards Organization.

"PSAS" means the Public Sector Accounting Standards.

"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.~~
means a substantial economic resource managed by governmental entities, playing a pivotal role in the execution of numerous government programs. Tangible Capital Assets encompass a diverse array of items, including but not limited to roads, buildings, vehicles, equipment, land, utility systems, computer hardware, software, and bridges. TCAs are non-financial assets with physical substance that:

- Are utilized for producing or providing goods and services, leasing or renting to others, administrative functions, or the development, construction, maintenance, or repair of other TCAs.
- Possess useful economic lifespans extending beyond a single accounting period.
- Are employed on an ongoing basis.
- Are not held for sale as part of regular operations.
- Any assets under capital lease from a third party that meet the criteria outlined above.

General Principles

Alignment with PSAS PS 3150 and ISO 55000: The policy aims to align the City's TCA management practices with the PSAS PS 3150 standard for financial reporting and the ISO 55000 standard for Asset Management. By adhering to these standards, the City ensures accurate and consistent reporting, effective asset utilization and long-term value preservation.

Optimal Asset Performance: By incorporating ISO 55000 principles, the policy supports the establishment of efficient and effective Asset Management practices. This includes strategic asset planning, risk assessment, performance optimization, and maintenance strategies that contribute to the longevity and reliability of TCAs.

Accountability and Compliance: The policy assigns clear responsibilities for TCA management across the organization, ensuring that all departments, boards, commissions, agencies, and related entities within the City's reporting entity adhere to standardized processes and practices. This fosters accountability, compliance with regulations, and sound governance.

Long-Term Value Creation: Through proper acquisition, maintenance, and disposal of TCAs, the policy aims to enhance the long-term value of the City's assets. By aligning with ISO 55000's Asset Management principles, the City can make informed decisions that contribute to sustained asset performance and value creation.

Asset Retirement Obligations

- Addressing ARO in line with the requirements of relevant accounting standards, such as the PSAS Section PS 3280 - Contingent Assets and Contingent Liabilities.
- An ARO arises when TCAs are expected to require future removal, restoration, or environmental remediation activities upon retirement.
- The City shall identify and recognize AROs associated with TCAs in accordance with PSAS Section PS 3280. This includes assessing the legal, contractual and constructive obligations that arise from the acquisition, construction, development or normal use of assets.
- The City shall measure AROs at their fair value, considering the present value of expected future cash flows required to settle the obligation. This estimation shall account for factors such as inflation, discount rates, timing of cash flows and legal requirements.
- Upon recognition, AROs shall be recorded as liabilities and the corresponding tangible capital asset shall be adjusted. The City shall diligently document the ARO, its fair value estimation and any changes over time.
- The City shall reassess and adjust the ARO's fair value estimation as circumstances change. Any changes shall be appropriately reflected in the financial statements. The City shall provide transparent and meaningful disclosures regarding the nature, timing, and amount of AROs in its financial statements and related notes, ensuring stakeholders are informed of potential future obligations.

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.~~

6.1 Financial Statements

6.1.1 TCAs are reported in the City's financial statements when the following criteria is met:

a. Must satisfy the definition of a TCA;

b. Must have a cost or other value that can be reliably measured;

c. Must meet the capitalization threshold.

6.1.2 The financial statements should disclose the following information about ~~tangible capital assets~~TCAs, 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~~TCAs for the period;
- Accumulated amortization at the beginning and end of the period;
- 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 TCA~~tangible capital asset~~;
- The net book value of TCAs ~~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~~TCAs received in the period and recognized in the financial statements; and
- The nature of the works of art and historical treasurers held by the government. Works of art and historical treasures are not recognized as ~~tangible capital assets~~ TCAs, 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~~ TCAs 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.

TCAs~~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. TCAs~~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~~ TCAs 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

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.