FLAGSTAFF COUNTY POLICY

Title: Tangible Capital Assets	Policy: CP 006
Section: Corporate	

ACCOUNTABILITY TO VISION STATEMENT

This policy is to protect and control the use of all Tangible Capital Assets, provide accountability and assist in gathering and maintaining information required to prepare financial statements.

POLICY STATEMENT

The purpose of this policy is to provide direction for recognizing and recording Tangible Capital Assets (TCA) on a consistent basis in accordance with the Public Sector Accounting Board (PSAB) 3150. The principle 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.

DEFINITIONS

Tangible Capital Assets: Assets having physical substance that:

- are used on a continuing basis in Flagstaff County's operations.
- have useful life extending beyond one (1) year.
- are not held for resale in the ordinary course of operations.

Subsequent expenditures on tangible capital assets that:

- increase previously assessed physical output or service capacity.
- lower associated operating costs.
- extend the useful life of the asset.
- improve the quality of the output.

Exceptions to this will be gravel and oil road surfaces which will not be capitalized.

Group Assets: Assets that have a unit value below the capitalization threshold but have a material value as a group. Normally are recorded as a single asset with one combined value.

Fair Value: Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties that are under no compulsion to act.

Capital Lease: A capital lease is a lease with contractual terms that transfer substantially all the benefits and risks inherent in ownership of property to Flagstaff County. For substantially all of the benefit or risks of ownership to be transferred to the lessee, one or more of the following conditions must be met:

- There is a reasonable assurance that the County will obtain ownership of the leased property by the end of the lease term.
- The lease term is of such duration that the County will receive substantially all of the benefits expected to be derived from the use of the leased property over its life span.

The 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.

GUIDELINES

CAPITALIZATION:

Tangible Capital Assets should be capitalized (recorded in the fixed asset sub-ledger) according to the following Classes and Thresholds:

MAJOR ASSET CLASS	MINOR ASSET CLASS	CAPITALIZATION THRESHOLD	AMORTIZATION METHOD	REVIEW SCHEDULE
Land	Appendix A	All	N/A	N/A
Land Improvements	Appendix A	$5,000	Straight Line	5 years
Buildings	Appendix A	$50,000	Straight Line	5 years
Engineered Structures	Appendix A	$10,000	Straight Line	5 years
Machinery & Equipment	Appendix A	$5,000	Straight Line	5 years
Vehicles	Appendix A	$5,000	Straight Line	5 years
Cultural & Historical	N/A	N/A	N/A	N/A

Valuation: Tangible Capital Assets should be recorded at cost plus all ancillary charges necessary to place the asset in its intended location and condition of use. Cost is the gross amount paid to acquire the asset and includes all non-refundable taxes, duties, freight, delivery charges, installation and site preparation costs. It is net of any trade discounts or rebates.

Costs of land includes purchase price plus legal fees, land registration fees, transfers, taxes, etc. and would include costs to make the land suitable for use such as demolition, and improvements that become part of the land.

Costs should include costs directly attributable to the acquisition, construction or development of the assets (architectural, professional fees). Borrowing costs incurred by the acquisition of the asset should be capitalized as part of the cost of the asset. The cost of donated or contributed assets that meet the criteria should be recognized as equal to the fair value at the date of the acquisition or construction of the asset.

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 on a regular basis and revised when the appropriateness of a change can be clearly demonstrated. Useful life is normally the shortest of the asset's physical, technological, commercial or legal life.

Amortization will begin the month following the purchase, but not before the asset is ready for use. There will be no amortization in the year of disposal.

Disposal: Disposal of tangible capital assets that are moveable property is the responsibility of the department head. The Finance department must be notified upon the disposal of an asset. The Finance department will be responsible for all adjusting to the asset registers and accounting records and recording the loss or gain on disposal.

Recommended Maximum Useful Life:
See attached Appendix A

Council Approved: July 17, 2024	**Resolution #:** FC20240717.1009
Reference:	**Signature:** S. Armstrong

Review Cycle:	***Next Review Year:***
Every three (3) years	2027