

# TOWN OF MUNDARE

## Policy 12.02

### Tax Incentive Policy

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**Date Adopted** November 4, 2008

**Revised:** February 2, 2021

#### Statement

To provide guidelines for recognizing and recording tangible capital assets (TCA) on a consistent basis and in accordance with Public Sector Accounting Board (PSAB) 3150.

#### Tangible Capital Assets

1. TCA are non-financial assets that:
  - i. are used on a continuous basis
  - ii. have a useful economic life beyond one year
  - iii. are not for resale in the ordinary course of operations
  
2. Expenditures on a TCA that:
  - i. increase output or service capacity
  - ii. increase service life
  - iii. lower operating costs
  - iv. improve the quality

should be classified as betterments and capitalized accordingly. Any other expenditures should be considered a repair/maintenance and expensed in the period incurred.
  
3. Group Assets have a unit value below the capitalization threshold but have a material value as a group. Normally, these are recorded as a single asset with one combined value.
  
4. A Capital Lease is a lease with contractual terms that transfer, substantially, all the benefits and risks inherent in the ownership of the property. To be substantial, one of the following conditions must be met:
  - i. there is reasonable assurance that the Town will retain ownership of the leased property at the end of the lease term;
  - ii. the lease term is of such a duration that the Town will receive all of the economic benefits expected to be derived from the use of the lease property over its lifespan;
  - iii. the lessor would be assured of recovering the investment in the lease property and of earning a return on the investment as a result of the lease agreement.

5. The recommendations by Alberta Municipal Affairs and Housing and the auditor with regards to TCA will be adopted by the Town

**Capitalization & Amortization**

6. The capitalization threshold and amortization methods are shown on schedule A. It should be reviewed every five years.
7. A guideline for the useful life of a tangible capital asset is attached as per appendix A. A tangible capital asset will start to be amortized in the year after acquisition
8. Costs include all costs directly attributable (ex. construction, professional fees, interest costs) to the acquisition, construction or development of the asset.
9. Interest costs for a tangible capital asset that takes a substantial period of time to get ready for its intended use should be capitalized as part of the cost.
10. Capitalization of interest costs should cease when no construction or development is taking place or when the tangible capital asset is ready for use.
11. Donated or Contributed assets should be valued at the fair value at the date of construction or contribution.

<b>Major Asset Class</b>	<b>Minor Asset Class</b>	<b>Capitalization Threshold</b>	<b>Amortization Method</b>
Land		All land will be recorded	n/a
Land Improvements		\$10,000	Straight Line
Buildings		\$10,000	Straight Line
Engineered Structures	Roadway System	\$10,000	Straight Line
	Water System	\$10,000	Straight Line
	Wastewater System	\$10,000	Straight Line
	Storm Sewer System	\$10,000	Straight Line
Machinery & Equipment		\$10,000	Straight Line
Vehicles		\$10,000	Straight Line
Cultural & Historical		n/a	n/a

<p><b>Asset Classes</b></p> <p><b>Major</b> <i>Minor</i> <b>Sub-class One</b> <i>Sub-class Two</i> <b>Sub-class Three</b></p>	<p><b>Maximum Useful Life</b></p>
<p><b>Land</b></p> <p><i>Right-of-way</i> <i>Undeveloped right-of-way</i> <i>Parks</i> <i>General</i></p>	
<p><b>Cultural &amp; Historical Assets</b></p> <p><i>Public art</i> <i>Historical</i> <i>Heritage site</i></p>	
<p><b>Land Improvements</b></p> <p><i>Parking lot</i>     Gravel     Asphalt <i>Playground structures</i> <i>Landscaping</i> <i>Fences</i> <i>Sprinkler systems</i> <i>Golf courses</i> <i>Tennis courts</i> <i>Fountains</i> <i>Lakes/ponds</i> <i>Retaining walls</i> <i>Running tracks</i> <i>Outdoor lighting</i> <i>Airport runways</i> <i>Soccer pitch - outdoor</i> <i>Bike/jogging Paths</i>     Gravel     Asphalt <i>Landfill</i>     Pits     Pads     Transfer stations <i>Construction in progress</i></p>	<p><b>15</b> <b>25</b> <b>15</b> <b>25</b> <b>20</b> <b>25</b> <b>45</b> <b>20</b> <b>20</b> <b>25</b> <b>20</b> <b>15</b> <b>20</b> <b>10</b> <b>20</b> <b>15</b> <b>20</b> <b>Volume</b> <b>Volume</b> <b>25</b></p>
<p><b>Buildings</b></p> <p><i>Permanent Structures</i>     Frame     Metal     Concrete <i>Portable Structures</i>     Metal     Frame <i>Leasehold improvements</i> <i>Construction in progress</i></p>	<p><b>50</b> <b>50</b> <b>50</b> <b>25</b> <b>25</b> <b>Variable</b></p>

Major Minor Sub-class One Sub-class Two Sub-class Three	Asset Classes	Maximum Useful Life
<b>Engineered Structures</b>		
<b>Roadway system</b>		
	Bridges	<b>Variable</b>
	Overpass/interchange	<b>60</b>
	Curb & gutter	<b>30</b>
	Parkades	<b>50</b>
	Roads & streets	
	<i>Lanes/alleys</i>	
	ACP - hot mix	<b>20*</b>
	Gravel	<b>15*</b>
	Nonconforming	<b>20*</b>
	<i>Local/Collector/Arterial/Major Arterial</i>	
	<i>Surface</i>	
	Concrete ACP	<b>30*</b>
	- hot mix	<b>20*</b>
	ACP - cold mix	<b>10*</b>
	Chip seal	<b>10*</b>
	Oil	<b>5*</b>
	Gravel	<b>25*</b>
	<i>Subsurface</i>	<b>40*</b>
	Road signs	
	<i>Traffic control</i>	<b>30</b>
	<i>Information</i>	<b>30</b>
	Lights	
	<i>Decorative</i>	<b>30</b>
	<i>Street</i>	<b>30</b>
	<i>Traffic</i>	<b>30</b>
	Guard rails	<b>30</b>
	Ramps	<b>30</b>
	Sidewalks & para-ramps	<b>30</b>
	Light rail system	<b>65</b>
	Construction in progress	
	(* subject to weather conditions)	
<b>Water system</b>		
	Distribution system	
	<i>Mains</i>	<b>75</b>
	<i>Services</i>	<b>75</b>
	Pump, lift and transfer stations	<b>45</b>
	Plants and facilities	
	<i>Structures</i>	<b>45</b>
	<i>Treatment equipment</i>	
	Mechanical	<b>45</b>
	Electrical	<b>45</b>
	General	<b>45</b>
	<i>Pumping equipment</i>	<b>45</b>
	Hydrants/fire protection	<b>75</b>
	Reservoirs	<b>45</b>
	Construction in progress	

Major Minor Sub-class One Sub-class Two Sub-class Three	Asset Classes	Maximum Useful Life
	<b>Wastewater system</b>	
	Collection system	
	<i>Mains</i>	75
	<i>Services</i>	75
	Pump, lift and transfer stations	45
	Plants and facilities	
	<i>Structures</i>	45
	<i>Treatment equipment</i>	
	Mechanical	45
	Electrical	45
	General	45
	<i>Pumping equipment</i>	45
	Lagoons	45
	Construction in progress	
	<b>Storm system</b>	
	Collection system	
	<i>Mains</i>	75
	<i>Services</i>	75
	Pump, lift and transfer stations	45
	Catch basins	75
	Outfalls	75
	Wetlands	75
	Retention ponds	75
	Treatment facility	45
	Construction in progress	
	<b>Fibre optics</b>	30
	<b>Electrical System</b>	
	Electrical generation	
	<i>Boilers</i>	30
	<i>Turbo generators</i>	30
	<i>Combustion turbines</i>	20
	<i>Condensate tanks</i>	10
	<i>Gas compressors</i>	20
	<i>Other</i>	10
	<i>Generation Wind/Turbine</i>	30
	<i>Construction in progress</i>	
	Electrical Transmission	
	<i>Structures &amp; improvements</i>	35
	<i>Station &amp; line equipment</i>	
	Transformers	40
	Switchgear	35
	Protection systems	20
	Insulators	60
	Other structures & equipment	35
	<i>Towers and fixtures</i>	38
	<i>Poles and fixtures</i>	38

<b>Major</b>	<b>Asset Classes</b>	
<b>Minor</b>		<b>Maximum Useful Life</b>
	<b>Sub-class One</b>	
	<b>Sub-class Two</b>	
	<b>Sub-class Three</b>	
	<i>Overhead (O/H) conductors &amp; devices</i>	<b>35</b>
	<i>Underground (U/G) conductors &amp; devices</i>	<b>40</b>
	U/G conduit	<b>40</b>
	U/G cable	<b>40</b>
	<i>Construction in progress</i>	
	Electrical Distribution	
	<i>Site development</i>	<b>35</b>
	<i>Station &amp; line equipment</i>	
	Transformers	<b>40</b>
	Switchgear	<b>35</b>
	Protection systems	<b>20</b>
	Insulators	<b>60</b>
	<i>Towers and fixtures</i>	<b>38</b>
	<i>Poles and fixtures</i>	<b>38</b>
	<i>O/H conductors &amp; devices</i>	<b>35</b>
	<i>U/G conductors &amp; devices</i>	<b>40</b>
	U/G conduit	<b>40</b>
	<i>Construction in progress</i>	
	General Plant - Electrical	
	<i>Site development</i>	<b>80</b>
	Electrical substations	
	<i>Site development</i>	<b>35</b>
	<i>Station &amp; line equipment</i>	
	Transformers	<b>40</b>
	Switchgear	<b>35</b>
	Protection systems	<b>20</b>
	Other structures & equipment	<b>35</b>
	<i>Towers and fixtures</i>	<b>38</b>
	<i>Poles and fixtures</i>	<b>38</b>
	<i>O/H conductors &amp; devices</i>	<b>35</b>
	<i>U/G conductors &amp; devices</i>	<b>40</b>
	U/G conduit	<b>40</b>
	U/G cable	<b>40</b>
	<i>Construction in progress</i>	
	Gas distribution system	
	<i>Structures</i>	<b>75</b>
	<i>Transmission</i>	<b>75</b>
	<i>Services</i>	<b>75</b>
	Medium pressure	<b>36</b>
	High pressure	<b>36</b>
	<i>Measurement</i>	<b>35</b>
	<i>Construction in progress</i>	

<b>Major</b> <b>Minor</b> <b>Sub-class One</b> <b>Sub-class Two</b> <b>Sub-class Three</b>	<b>Asset Classes</b>  <b>Maximum</b> <b>Useful Life</b>
<b>Machinery and Equipment</b> <i>Heavy construction equipment</i> <i>Stores</i> <i>Food services</i> <i>Fire equipment</i> <i>Police special equipment</i> <i>Aircraft</i> <i>Boats</i> <i>Fitness and wellness</i> <i>Control systems</i> Communication links SCADA system <i>Fuelling stations</i> <i>Laboratory</i> <i>Communications</i> Radios Telephone systems <i>Tools, shop and garage equipment</i> <i>Scales</i> <i>Bins</i> <i>Meters</i> Electrical Cumulative Interval Gas Water Parking meters and splitters <i>Turf equipment</i> <i>Ice re-surfacer</i>  <i>Office Furniture &amp; Equipment</i> Furniture Office equipment Audiovisual Photocopiers <i>Computer Systems</i> Hardware Software <i>Construction in progress</i>	<b>Variable</b> <b>25</b> <b>10</b> <b>12</b> <b>10</b> <b>Variable</b> <b>25</b> <b>10</b> <b>5</b> <b>20</b> <b>10</b> <b>15</b> <b>10</b>  <b>10</b> <b>10</b>  <b>15</b> <b>15</b> <b>15</b>  <b>20</b> <b>20</b> <b>20</b> <b>20</b> <b>40</b> <b>20</b> <b>10</b> <b>10</b>   <b>20</b> <b>10</b> <b>10</b> <b>5</b>  <b>5</b> <b>10</b>
<b>Vehicles</b> <i>Light duty</i> <i>Medium duty</i> <i>Heavy duty</i> <i>Transit buses</i> <i>Fire trucks</i> <i>Light rail transit cars</i> <i>Construction in progress</i>	<b>10</b> <b>10</b> <b>10</b> <b>20</b> <b>25</b> <b>40</b>