



Policy and Procedures	
Subject Title: Tangible Capital Assets - Definitions	
Corporate Policy (Approved by Council): <input checked="" type="checkbox"/>	Policy Ref. No.: ADM-03-08
Administrative Policy (Approved by CAO): <input type="checkbox"/>	By-Law No. :
Date Approved: January 8, 2007	Name of Dept.: Finance
Staff Report: FR-FP-01-08	

Purpose:

The objective of this policy is to provide definitions to some of the terminology within and surrounding tangible capital asset accounting.

General Definitions:

Tangible Capital Assets:

Assets, which have physical substance that:

- a) Are used on a continuing basis in the County's operations
- b) Have useful lives extending beyond one year
- c) Are not held for re-sale in the ordinary course of operations

Software is considered to be a tangible capital asset for purposes of this definition.

Betterments:

Subsequent expenditures on tangible capital assets that fulfill one or more of the following requirements:

- a) *Increase* previously assessed physical output or service capacity;
- b) *Lower* associated operating costs;
- c) *Extend* the useful life of the asset; or
- d) *Improve* the quality of the output.

Any other expenditure would be considered a repair or maintenance and should be expensed in the period.

Group/Pooled Assets:

Similar assets that have a unit value below the capitalization threshold (on their own) but have a material value as a group. Such assets shall be 'pooled' as a single asset with one combined value. Although recorded in the asset as a single asset, each unit of the pool may be recorded in an asset sub-ledger for monitoring and control of their use and maintenance. Examples would include the following:

- Software
- Street lights
- Furniture and fixtures
- Small machinery

As similar items are purchased, they will be added to the pool. This may require at the end of each fiscal year, an inventory to be taken. If necessary (if the actual count is less than the system tally), an entry will be recorded in Great Plains to adjust the pool balance to the actual inventory count (this will account for pooled units disposed of during the year).

Fair Value:

The amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion, to act in a biased manner. Fair value would be used to assign an amount to a donated asset received by the County of Grey.

'In Service' Date:

Realized as the date at which the asset begins to be utilized by the County. The calculation and recording of amortization will not begin until the 'in service' date has been reached.

Capital Lease:

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

- a) Reasonable assurance that the County will obtain ownership of the leased property by the end of the lease term.
- b) Lease term is of such a duration that the County will receive substantially all of the economic benefits 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.

Leasehold Improvements:

Improvements and/or betterments to leased assets, which do not qualify under the definition of a capital lease. These improvements will be capitalized and amortized based on the criteria contained in Valuation and Amortization policies.