



**City of Kingston**

Policies and Procedures

Financial Services Department

**Tangible Capital Assets Policy**

<b>Administrator:</b>	Chief Financial Officer and City Treasurer
<b>Approval Date:</b>	July 20, 2010
<b>Effective Date:</b>	January 1, 2009
<b>Next Review:</b>	June 1, 2027
<b>Approval Authority:</b>	Council
<b>Revision Date:</b>	July 18, 2016 (Resolution Carried: June 7, 2016)

Corporation of the City of Kingston  
Tangible Capital Assets Policy

---

**Table of Contents**

Purpose ..... 3

Definition of Tangible Capital Assets ..... 3

Measurement of Cost ..... 4

Capitalization / Reporting Thresholds..... 5

Bundling of Assets (Whole Asset vs. Component Approach) ..... 6

Pooling of Assets ..... 6

Donated and Contributed Assets ..... 7

Capital Works In Progress ..... 7

Betterments vs. Maintenance ..... 7

Leasehold Improvements ..... 8

Capital Leases ..... 9

Amortization of Capital Assets ..... 9

Write-Downs of Capital Assets ..... 10

Disposal of Capital Assets ..... 11

Appendix A - Useful Life Estimates ..... 12

Appendix B - Definitions ..... 17

## Purpose

1. The objective of this policy is to prescribe the accounting treatment for reporting tangible capital assets so that users of the financial statements can discern information about the City's investment in tangible capital assets and the ongoing changes in this investment. The policy also ensures appropriate accountability with respect to tangible capital assets and their reporting. The principal issues in accounting for tangible capital assets include:
  - Recognition of the assets;
  - Determination of their carrying amounts;
  - Amortization charges;
  - Recognition of disposals; and
  - Recognition of impairment losses.
2. The primary reference for this policy is the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook Section PS3150 ("PS3150"), which must be adopted by all Canadian Municipalities effective January 1, 2009.

## Definition of Tangible Capital Assets

3. The Canadian Institute of Chartered Accountants Public Sector Accounting Handbook Section PS1000 defines assets as:

*Economic resources controlled by a government as a result of past transactions or events and from which future economic benefits may be obtained. (PS 1000.35)*

*Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead:*

- *are normally employed to deliver government services;*
- *may be consumed in the normal course of operations; and*
- *are not for sale in the normal course of operations. (PS 1000.42)*

Tangible Capital Assets are defined in PS3150 as non-financial assets having physical substance that:

- Are held for use in the production or supply of goods or services, for administrative purposes, or for the development, construction, maintenance or repair of other tangible capital assets;
- Have a useful life extending beyond one fiscal year and are intended to be used on a continuing basis;

- Represent future economic benefits that are expected to be realized;
- Are not intended for resale in the ordinary course of operations; and
- Are economic resources whereby beneficial ownership and control clearly rest with the City.

Before an item is recognized as a tangible capital asset for financial reporting purposes, it must satisfy two criteria:

- (i) It must satisfy the definition of a tangible capital asset.
- (ii) It must have a cost or other value that can be reliably measured - Items whose value is not measurable or reasonably estimable cannot be recognized within the financial statement totals.

4. The definition of tangible capital assets does not include:

- (i) Intangible assets such as copyrights, trademarks, or patents;
- (ii) Obsolete and surplus items;
- (iii) Heritage assets, usually irreplaceable, that are intended to be preserved in trust for future generations, such as:
  - Museum and gallery collections and other works of art;
  - Archeological sites, ruins, burial sites, monuments and statues; and
  - Historical buildings greater than 100 years in age which remain historical in nature in that there have been essentially no significant betterments over time.

5. The City's tangible capital assets are divided into two broad classifications – infrastructure assets and general capital assets. Infrastructure assets are defined as linear (connected) systems, such as roads, sidewalks, and water, sewer and gas systems. Infrastructure assets also include the plants (water treatment and sewer treatment) that support and are connected to linear systems. General capital assets are defined as standalone assets such as land, buildings, vehicles and equipment. Appendix B provides a further breakdown of the City's asset categories within each of these classifications.

## **Measurement of Cost**

6. For purposes of reporting tangible capital assets, all costs required to make a capital asset operational are to be recorded. Costs to capitalize include the purchase price and other acquisition costs such as installation costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges,

transportation insurance costs and duties. The cost of a constructed asset would normally include direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity (such as the costs of leased space used solely for the construction or development activities). Any non-refundable portion of taxes applicable to capital asset purchases will also be capitalized.

7. When two or more assets are acquired for a single purchase price, it is necessary to allocate the purchase price to the various assets acquired. Allocation should be based on the fair value of each asset at the time of acquisition or some other reasonable basis if fair value is not readily determinable. Example: land and building purchased together.
8. Short-term interest expense related to financing costs incurred during the time an asset is under construction will not be capitalized. The City’s current policy will remain in place whereby all short-term interest costs during project construction will be charged directly to the applicable capital reserve fund.

### **Capitalization / Reporting Thresholds**

9. The City has determined a capitalization/reporting threshold for each asset category, the value below which costs will not be capitalized for financial statement reporting purposes. Assets below the relevant threshold will be expensed in the period of purchase and those above the threshold will be recognized as tangible capital assets for reporting purposes and amortized at the appropriate rate. The table below provides a summary of the City’s capitalization/reporting thresholds for each asset category.

<b>City of Kingston Capitalization / Reporting Thresholds</b>	
Land	Capitalize all
Land Improvements	\$ 10,000
Buildings	\$ 10,000
Vehicles and Machinery	\$ 10,000
Furniture, Fixtures and Equipment	\$ 10,000
<u>Linear Assets</u>	<u>Capitalize all</u>
Pooled Assets (Pool Threshold)	\$ 200,000
Capital Works in Progress	Capitalize all

## **Bundling of Assets (Whole Asset vs. Component Approach)**

10. Capital assets which contain multiple parts can be accounted for using either the whole approach or the component approach. In certain circumstances, it is appropriate to allocate the total disbursement on an asset to its component parts and account for each component separately. This is the case when the component assets have different useful lives or provide economic benefits or service potential to the entity in a different pattern, thus necessitating use of different amortization rates and methods.
  - (a) The *Whole Asset Approach* considers an asset to be an assembly of connected parts. Costs of all parts would be capitalized and amortized as one asset. For example, a building would be considered as one asset inclusive of the building and building equipment.
  - (b) Under the *Component Approach*, different components are individually capitalized and amortized using different rates based on relative useful lives. Under this approach, the various components within a specialized building such as a water treatment plant are recorded as individual assets and may include a variety of components for different equipment groups.
  
11. The City has determined that the following capital asset categories will be accounted for using the component approach. All other capital assets containing multiple components will be valued using the whole approach.
  - (a) Buildings <sup>(\*)</sup> (components to include building, building equipment)
  - (b) Roads and airport runways (base separate from surface)
  - (c) Water treatment plants (components to include building, building fixtures, electrical equipment and mechanical equipment)
  - (d) Waste water treatment plants (components to include building, building fixtures, electrical equipment and mechanical equipment)
  - (e) Arenas (components to include building, building equipment, ice equipment)

<sup>(\*)</sup> Initial valuation of building assets on hand at December 31, 2007 will utilize the whole asset approach unless component information is readily available.

## **Pooling of Assets**

12. Certain items may individually be below a capitalization threshold but are typically purchased or held in large quantities and thus represent significant assets in aggregate. In such cases, the City will capitalize all items acquired in a given asset class or pool and amortize the pool over a pre-determined amortization period. An

asset pool is a group of identical or similar tangible capital assets which are accounted for and reported on as though they were a single asset.

There are a number of different City asset categories that are subject to pooling (predominantly by year of purchase). On-going accounting for asset pools will involve adding each year's additions to the pool, removing one year of fully amortized assets from the pool, along with related accumulated amortization, and calculating the annual amortization by year of purchase. It is assumed that assets that are fully amortized have been disposed each year. See Appendix A for a listing of all City pooled assets.

## **Donated and Contributed Assets**

13. The City may receive donations or contributions of tangible capital assets. Donated or contributed capital assets or capital assets acquired at nominal values will be valued for capital asset reporting purposes at their fair value at the date of contribution. The offsetting credit will be reported as revenue in the year of transfer. The City has defined nominal value as consideration paid of \$10 or less. For example, assets may be transferred from senior levels of government at no or nominal cost or development agreements may require developers to provide tangible capital assets such as roads, sidewalks and street lighting which are assumed by the City upon completion.

## **Capital Works In Progress**

14. Capital works in progress represent the construction or development of a capital asset that extends over the City's fiscal year end. For annual reporting purposes, all capital projects that are not yet put into use and that extend over a municipality's fiscal year end, will be reported as capital works in progress in the annual financial statements. When the asset is put into use, the costs will then be transferred to the appropriate tangible capital asset account and amortization will begin.

For accounting purposes, the City will continue to maintain its capital fund and continue to track capital expenditures by program. All open programs, at any point in time, will represent the City's works-in-progress and will continue to be reported to council on a quarterly basis.

## **Betterments vs. Maintenance**

15. Ongoing expenditures relating to existing tangible capital assets can be classified as either "betterments" or "repairs and maintenance". Betterments, which are

normally capitalized, improve the functionality (or service potential) of the asset or increase the useful life of an asset. Service potential may be enhanced when:

- There is an increase in the previously expected service capacity;
- The useful life of the asset is extended beyond its previously expected life span;
- The service output quality is improved;
- The associated operating costs are lowered.

Repairs and maintenance, which are normally expensed, primarily *maintain* the existing functionality of the asset. Where a cost cannot easily be differentiated between a repair and a betterment, the cost should be expensed.

16. The total cost of betterments is capitalized as part of the cost of the capital asset to which it relates and is amortized over the remaining useful life of the asset, taking into account any extension of the related asset's useful life that may be provided by the betterment. In some circumstances, the useful life of the betterment may be significantly shorter than that of the asset, and, in those cases, should be capitalized and amortized separately.

## **Leasehold Improvements**

17. A leasehold improvement is defined as a betterment made to leased property (not a property owned by the city). Betterments are expenditures relating to the alteration or modernization of an asset that appreciably prolong the item's period of usefulness or improve its functionality.
18. To be considered a leasehold improvement, the modification must have at least four characteristics:
  - (a) The modifications must be made to assets that have been leased;
  - (b) The City must pay for the improvements. If the expenses are the responsibility of the lessor then the lessor will account for the expenses in its own records;
  - (c) The leasehold improvements should be durable, they should generate benefits to the City for more than one year; and
  - (d) The betterment reverts to the lessor at the end of the lease (i.e. cannot be detached from the leased property).



## **Capital Leases**

19. A capital lease is a lease with contractual terms that transfer substantially all the benefits and risks inherent in ownership of property to the City. 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) There is reasonable assurance that the City will obtain ownership of the leased property by the end of the lease term.
  - (b) The lease term is of such 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.
  - (c) 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.
20. Assets which are subject to capital leases are recorded as capital assets and are subject to the policies outlined above.

## **Amortization of Capital Assets**

21. The cost of tangible capital assets is essentially a long-term prepayment of an expense in advance of the use of the asset. As the economic service life of the asset expires, the cost of the asset is systematically allocated to operations as an expense called "amortization".
22. Periodic amortization expense should be an allocation of the historical cost of the asset, less expected salvage value, if applicable and/or available, to operations in proportion to the economic benefits received each period from the use of the asset.
23. The service life of an asset should be determined on a basis that is linked with the expiration of the economic benefits and should be standardized among groups of like and similar assets.
24. The City will use estimated service life measured in years as an appropriate measure for all amortization calculations. This measurement provides a rational and systemic method of calculating the cost of use for all the City's asset classes.
25. The maximum amortization period will be limited to 75 years unless it can be clearly demonstrated that the useful life of the asset is reasonably expected to exceed 75 years.

26. Appendix A to this policy provides a comprehensive listing of all asset types included in the City's capital asset inventory and their respective useful life estimates. It also provides information on the asset types that utilize asset pools.
27. The amortization of City assets will be calculated on a straight-line basis for all asset categories. Amortization will be estimated annually, based on prior year calculations and recorded on a monthly basis. Estimated amounts will be adjusted to actual at year end to account for current year additions and disposals. One half of the annual amortization rate will be applied to assets that are purchased or disposed of during the year, similar to the half-year rule as defined by Canada Revenue Agency.

### **Write-Downs of Capital Assets**

28. When conditions indicate that a tangible capital asset no longer contributes to the City's ability to provide services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the asset should be reduced to reflect the decline in the asset's value.
29. Conditions which may indicate that a write-down in the cost of a tangible capital asset is required include:
  - (a) A change to the extent or manner in which the asset is used;
  - (b) Significant new technological developments which may cause the asset to become obsolete;
  - (c) Physical damage to the asset;
  - (d) Removal of the asset from service;
  - (e) A decline in, or cessation of, the need for the services provided by the asset;
  - (f) Legal or environmental changes affecting the extent to which the asset can be used.
30. A write-down will be recorded as an adjustment to the cost of an asset. A corresponding adjustment will be made to the accumulated depreciation and the net adjustment will be reported as an expense in the statement of operations. This new cost will be amortized over the remaining useful life of the asset. Write-downs of tangible capital assets are permanent; generally accepted accounting principles do not allow for the reversal of write-downs.
31. The finance department will incorporate annual asset valuation reviews into the year-end reporting schedule and will work with operating departments to review asset listings to identify any instances where the value of future economic benefits

is expected to be less than the net book value of the asset in question. In addition, the information obtained from periodic condition assessment surveys will be used to assess the carrying value of the specific assets.

## **Disposal of Capital Assets**

32. Disposals of tangible capital assets will occur on an ongoing basis through a variety of means including a sale or other disposition, destruction or loss, or abandonment of the asset. A disposal removes the historical cost from the total cost of tangible assets, along with the asset's accumulated amortization. The asset record is removed from the active asset inventory and archived, noting the date and manner of disposal.
33. At the date of disposal, a gain or loss is recognized based on proceeds received less the asset's net book value (historical cost less accumulated amortization). The definition of proceeds shall include trade-in allowances received for retired fleet or equipment assets.
34. Similar to the policy outlined above for amortization of capital assets, one half of the annual amortization rate will be applied to assets that are disposed of during the year, before recording the disposal and related gain or loss.

## Appendix A: Useful Life Estimates

General Capital Assets			
Asset Category		Useful Life Estimate (Yrs)	Pooled
Land	Vacant	N/A	
	Development	N/A	
	Parkland	N/A	
	Municipality occupied	N/A	
	Landfill sites	N/A	
Land improvements	Sports fields	40	
	Recreation trails and pathways	40	
	Driveways and parking lots	18	
	Fencing	40	
	Wharves and break walls	40	
	Boat docks and boat ramps	20	
	Outdoor pools and fountains	40	
	Golf course	40	
	Market square	40	
	Tennis courts	40	
Buildings and structures	Arenas	40	
	Indoor pools	40	
	Libraries	40	
	Offices	40	
	Garages	40	
	Sand and salt domes	40	
	Transit shelters	40	
	Fire stations	40	
	Fire training towers	40	

<b>General Capital Assets</b>			
<b>Asset Category</b>		<b>Useful Life Estimate (Yrs)</b>	<b>Pooled</b>
	Parking garages	40	
	Arenas and pools - systems	40	
	Non-profit housing	40	
Fleet	Pickups, vans	12	
	Heavy trucks	12	
	Fire trucks	20	
	Trailers	12	
	Buses	12	
	Boats	20	
	Police cars	8	Yes
Equipment and Machinery	Tractors, graders, loaders, etc.	20	
	Zambonis	10	
	Lawn mowers	20	
	Sidewalk plows	15	
	Street sweepers	10	
	Fire equipment	20	
	Bunker gear	20	
	Fuel tanks	20	Yes
	Scales	40	
	Police weapons	10	Yes
	Special equipment within buildings	20	
Furniture and Fixtures	Interior furnishings - office	20	Yes
	Furniture - long-term care	20	Yes
	Library shelves	40	Yes
	Outdoor play structures	25	

<b>General Capital Assets</b>			
<b>Asset Category</b>		<b>Useful Lfe Estimate (Yrs)</b>	<b>Pooled</b>
	Park lighting	40	Yes
	Library books	7	Yes
Computers and Systems	Hardware	5	Yes
	Software	5	
	Phone system	10	
	Emergency radios	5	Yes
	Emergency pagers	5	Yes
	Parking meters	20	Yes
	Pay and display machines	20	Yes

<b>Infrastructure Assets</b>			
<b>Asset Category</b>		<b>Useful Lfe Estimate (Yrs)</b>	<b>Pooled</b>
Land	Airport lands	Not applicable	
	WTP and STP land	Not applicable	
	Storm water pond land	Not applicable	
Land Improvements	Storm water ponds	75	
Roads and Related	Urban road surface	18	
	Urban road bed	50	
	Semi-urban surface	18	
	Semi-urban bed	50	
	Rural road surface	18	
	Rural road bed	50	
	Sidewalks and walkways	50	
	Road signs	30	Yes
Streetlights	35	Yes	

Infrastructure Assets			
Asset Category		Useful Life Estimate (Yrs)	Pooled
	Traffic signals	40	
	Storm sewer	50	
Bridges	Bridge structures	60	
	Box and arch culverts	60	
Airport	Runway - surface	20	
	Runway - base	40	
	Lights	20	
	Buildings	40	
Water Utility	<u>Water Facilities:</u>		
	Building Structure	50	
	Building Fixtures	15	
	Mechanical Equipment	25	
	Electrical Equipment	10	
	Tankage	75	
	<u>Water Pipes:</u>		
	CI	75	Yes
	DI	50	Yes
	Concrete	60	Yes
	PVC	80	Yes
	Asbestos Cement	50	Yes
	HDPE	70	Yes
	Average	64	Yes
	<u>Water Other:</u>		
	Water meters	15	Yes
	Water hydrants	60	Yes
	Water valves	50	Yes

Infrastructure Assets			
Asset Category		Useful Life Estimate (Yrs)	Pooled
Sewer Utility	<u>Sewer Facilities:</u>		
	Building Structure	50	
	Building Fixtures	15	
	Mechanical Equipment	25	
	Electrical Equipment	10	
	Tankage	75	
	<u>Sewer pipes:</u>		
	CI	75	Yes
	DI	50	Yes
	Concrete	60	Yes
	PVC	80	Yes
	Asbestos Cement	50	Yes
	HDPE	70	Yes
	Average	64	Yes
	Sewer - manholes	75	Yes
Gas Utility	Facilities	40	Yes
	Mains and services	50	Yes
	Gas meters	15	Yes
	Gas regulator stations and equipment	20	Yes
	Gas operating systems (Scada)	5	Yes
	Water heaters	10	Yes
	Office equipment	20	Yes



## Appendix B: Definitions

---

**Amortization** – is the accounting process of allocating the costs less the residual value of a tangible capital asset to operating periods as an expense over the useful life in a rational and systematic manner appropriate to its nature and use.

Amortization expense is an important part of the cost associated with providing local government service, regardless of how the acquisition of TCA is funded.

Depreciation accounting is another commonly used term used to describe the amortization of TCA.

**Betterment** – is a material cost incurred to enhance the service potential of an asset and will:

- increase the previously assessed physical output or service capacity
- significantly lower associated operating costs
- extend the life of the property or
- improve the quality of output

**Capital Budget** – is an estimate of expenditures for a capital project.

**Capital financing** – is an allocation from the current budget to finance capital programs that consists of debt charge payments and capital levy contributions.

**Capital Program** – is a combination of capital projects to be executed within a defined timeframe to meet the requirements of a particular department.

**Capital project** – is an activity during which expenditures are incurred that result in the creation of a capital asset.

**Capital reserve** – is an allocation of funds established as a result of legislation, council bylaw or contractual obligations for the funding of potential future capital projects.

**Carrying Costs** – are costs directly attributable to an asset's acquisition, construction or development activity where, due to the nature of the asset, it takes a long period of time to get it ready for its intended use. Typically carrying costs would include:

- technical and administrative work prior to commencement of and during construction;
- overhead charges directly attributable to construction or development.

**Component** – is a part of an asset with a cost that is significant in relation to the total cost of that asset. Component accounting recognizes that each part might

have a different useful life and requires separate accounting for each component that has different useful life that the whole asset does.

**Contributed Assets** – are capital assets such as developer constructed services in new subdivisions (i.e. water, sewer, roads infrastructure) acquired without cash outlay and will be valued at fair market value when the asset is placed into productive use/service (i.e. upon initial acceptance).

**Costs** – is the amount of consideration given up to acquire, construct, develop or better a capital asset and includes all costs, including non-refundable taxes, directly attributable to its acquisition, construction, development or betterment, including installing the asset at the location and in the condition necessary for its intended use. The cost of a contributed asset is considered to be equal to its fair market at the date of contribution.

**Depreciation Accounting** – is the accounting procedure in which the costs or other recorded value of a fixed asset less any estimated value on disposal is distributed over its useful life in a systematic and rational manner. It is a process of allocations, not valuation.

**Disposal** – refers to the removal of a capital asset from service as a result of a sale, destruction, loss or abandonment.

**Fair Market Value** – is defined as the estimated amount for which a property would be exchanged on the sale of valuation between a willing buyer and willing seller in an arm's length transaction wherein the parties had each acted knowledgeably.

**Functional Asset Category** – is the service area in which the asset is used (i.e. health, transportation).

**Gains** – can arise from transactions and events including the disposition of assets purchased for use and not resale.

**Historical cost** – of an asset is the amount of consideration given up to acquire, construct, develop or better an asset and includes all costs directly attributable to acquisition, construction, development or betterment of the asset including installing the asset at the location and in the condition necessary for its intended use.

**Impairment** - occurs when conditions indicate that a tangible capital asset no longer contributes to the ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.

**Infrastructure** – is composed of linear assets and their associated specific components generally constructed or arranged in a continuous and connected

network and may include transportation components like roads, bridges, tunnels, storm sewers, traffic signals and signage.

**Land** – is the surface that is used to support structures and purchased or acquired for value, for building sites, infrastructure (roadways, bridges, water or sewer mains, etc.) and other program use but not land held for resale. Land normally has an unlimited life and is not amortized.

**Linear Assets** - are assets generally constructed or arranged in a continuous and connected network. They are usually defined in terms of details such as length, unit of measure and geographic reference (e.g., start and end points).

**Leased Capital Assets** – are non-financial assets leased by the municipality for use in the delivery of goods and services. Substantially all of the benefits and risks of ownership are transferred to the municipality without requiring the transfer of legal ownership.

**Losses** – can arise from transactions and events affecting local government. Such transactions and events include the disposition of assets purchased for use and not for resale.

**Net Book Value** – of a tangible capital asset is its cost, less accumulated amortization and the amount of any write-downs.

**Non-financial Assets** – include TCA and other assets such as prepaid expenses and inventories of supplies. Non-financial assets are acquired, constructed or developed assets that are normally employed to deliver local government services, may be consumed in the normal course of operations and are not for sale in the normal course of operations.

**Pooled Assets** – are homogenous in terms of their physical characteristics, use and expected useful life. Pooled assets are amortized using a composite amortization rate based on the average useful life of the different assets in a group.

**Pooling of assets** – refers to assets of value below the materiality threshold when considered on an individual basis but collectively make up a significant group of assets that exceeds the threshold level (e.g. computers on network, library collection)

**Repairs and Maintenance** – are reoccurring expenditures, periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life. It is an expenditure that keeps an asset in a condition that helps maintain or ensure realization of the future economic benefits that are expected from the asset over its initially assessed useful life.

**Residual Value** – is the estimated net realizable value of a capital asset at the end of its estimated useful life. A related term, salvage value, refers to the realizable value at the end of an asset’s life. If the municipality expects to use a capital asset for its full life, residual and salvage value are the same.

**Straight-line amortization method** – a method of calculating the amortization of an asset which assumes that the asset will decline by an equal amount of value each year. The annual amortization is calculated by subtracting the residual value of the asset from the purchase price and then dividing this number by the estimated useful life of the asset.

**Tangible Capital Assets (TCA)** – are non-financial assets having physical substance that are acquired, constructed or developed and

- are held for use in the production or supply of goods and services;
- have useful lives extending beyond the fiscal year;
- are intended to be used on a continuing basis; and
- are not intended for sale in the ordinary course of operations.

**Threshold** – is generally the minimum cost that an individual asset must have before it is to be treated as a tangible capital asset. The threshold amount is to be used as a guide in addition to the Treasurer’s judgment.

**Useful Life** – is the estimate of the period over which it is expected to be used as a tangible capital asset. The life of the tangible asset may extend beyond its useful life.

**Work in Progress** – is the accumulation of capital costs for partially constructed or developed projects.

**Works of Art and Historical Treasures** –property that has cultural, aesthetic, or historical value that is worth preserving perpetually. These assets are not capitalized as their service potential and expected future benefits are difficult to quantify.

**Write-down** – is a reduction in the cost of a capital asset as a result of a decrease in the quality or quantity of its service potential. A write-down should be recorded and expensed in the period the decrease can be measured and is expected to be permanent.