


POLICY

	Policy:	Tangible Capital Assets		
	Department:	Corporate Services		
	Division:	Financial Services	By-Law No.:	N/A
	Administered By:	Treasurer	Approval Date:	DRAFT
	Replaces:	Tangible Capital Assets Policy – April 7, 2015		
	Attachment(s):	Appendix A: Tangible Capital Asset Life Years and Thresholds		

1. POLICY STATEMENT

The Corporation of the Town of Amherstburg is committed to ensuring that the necessary and appropriate controls are employed for the recording and reporting requirements of Tangible Capital Assets (TCAs) that are compliant with generally accepted accounting principles as outlined in the Public Sector Accounting Board (PSAB) 3150 standard, being a compliance standard required by legislation.

2. PURPOSE

- 2.1. This Policy facilitates PSAB 3150 compliance in establishing criteria for:
 - 2.1.1. The accounting functions of acquisitions (including donations), disposals, betterments, write-downs, and transfers of TCAs.
 - 2.1.2. The valuation, recording, and reporting of TCAs.
 - 2.1.3. The monitoring of compliance to PSAB 3150 and other related corporate policies and procedures.
- 2.2. This policy provides overall direction for the capitalization of assets. This policy enables Administration to make consistent and sound decisions and plan ahead for future needs.
- 2.3. This policy intends to provide the public with confidence in our accounting and financial reporting processes.

3. SCOPE

- 3.1. This policy applies to all Town departments, agencies and boards funded by the Town, in whole or in part, or whose governing body contains Town representation and whose financial transactions are accounted for within the Town's financial systems.
- 3.2. This policy shall be reviewed every five (5) years from the date it becomes effective, and/or sooner at the discretion of the CAO or designate.

4. DEFINITIONS

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

- 4.2. **Betterment** is a cost incurred to enhance the service potential of a tangible capital asset. Betterments increase service potential and may or may not increase the remaining useful life of the tangible capital asset. Such expenditures would be added to the tangible capital asset's costs.
- 4.3. **Cost of TCA** is the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset. This includes all costs attributable to the asset's 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 tangible capital asset, including a tangible capital asset in lieu of a developer charge, is considered to be equal to its fair value at the date of the contribution. Capital grants would not be netted against the cost of the related tangible capital asset. The cost of a leased tangible capital asset is determined in accordance with Public Sector Guideline PSG-2 Leased Tangible Capital Assets. Included in the cost of TCA are:
- 4.3.1. Temporary financing incurred during the construction of an asset.
 - 4.3.2. Costs of internal staff seconded to a project which results in a TCA, where their regular duties are backfilled.
 - 4.3.3. Development charges and permits.
 - 4.3.4. Legal and professional costs
 - 4.3.5. Costs of internal staff whose primary duties are to provide services relating to capital projects. Costs of staff that are assigned to participate in projects as part of their normal range of duties and who are not specifically seconded and backfilled would not be included in cost of TCA. These overhead type costs are not only included in the cost of a capital project in the event that external funding of the project allows for their recovery, they will be recorded in a separate general ledger account and excluded from the cost of the TCA.
 - 4.3.6. All non-recoverable taxes.
- 4.4. **Disposal** is the processes involved in the removal of the TCA from use and from the TCA sub-ledger subsequent to:
- 4.4.1. Donation
 - 4.4.2. Sale
 - 4.4.3. Abandonment
 - 4.4.4. Destruction
- 4.5. **Fair Value** is defined in accounting standards as the amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction where either party is under no compulsion to act.
- 4.6. **Half-Year Rule** is the assumption for tax purposes that a newly acquired asset is placed in service halfway through the year, regardless of when the asset is actually acquired and placed in service. The half-year convention affects annual depreciation, taxation, and earnings calculations.
- 4.7. **Heritage or Cultural Assets** such as works of art, archeological sites, and historical buildings are not subject to capitalization and amortization since it is not possible to make a reasonable estimate of the future benefits of such property. Existence of heritage or cultural assets will be disclosed as a note to the financial statements.

- 4.8. **Linear Assets** are assets constructed or arranged in a continuous and connected network, such as roads and sewers.
- 4.9. **PSAS** refers to the Public Sector Accounting Standards.
- 4.10. **Straight-Line Amortization** allocates the cost less estimated residual value of a capital asset equally over each year of its estimated useful life. Tangible capital assets shall be deemed to have no residual value for the purposes of calculating amortization.
- 4.11. **Tangible Capital Assets (TCAs)** are non-financial assets having physical substance that:
- 4.11.1. Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets.
 - 4.11.2. Have useful economic lives extending beyond an accounting period.
 - 4.11.3. Are to be used on a continuing basis.
 - 4.11.4. Are not for sale in the ordinary course of operations.
- 4.12. **Useful Life** is the estimate of either the period over which a local government expects to use a tangible capital asset, or the number of production, or similar units that it can obtain from the tangible capital asset. The life of a tangible capital asset may extend beyond its useful life. The life of a tangible capital asset, other than land, is finite and is normally the shortest of the physical, technological, commercial, and legal life.
- 4.13. **Write-down** is a reduction in the cost of a tangible capital asset to reflect the decline in the asset's value due to a permanent impairment.
- 4.14. **Work in Progress (WIP)** is the accumulation of costs for TCA that are in construction or development in progress but are not yet in use or the capital project is still open to accumulate costs.

Common definitions, acronyms, and terms are available in the Glossary located on the Town's Policies webpage.

5. **INTERPRETATIONS:**

- 5.1. Any reference to this policy to any statute or any section of a statute shall, unless expressly stated, be deemed to be reference to the statute as amended, restated or re-enacted from time to time. Any references to a By-law or Town policy shall be deemed to be a reference to the most recent passed policy or By-law and any replacements thereto.

6. **GENERAL CONDITIONS:**

6.1. **Asset Category**

- 6.1.1. TCAs will be recorded by appropriate category into the Financial Reporting as per Appendix A.

6.2. **TCA Thresholds**

- 6.2.1. Minimum thresholds for each asset category will be utilized to determine whether or not to include an asset into the TCA Financial Reporting r.
- 6.2.2. Assets will be not be pooled to meet thresholds.

6.3. **Amortization and Useful Life**

- 6.3.1. TCAs will be assigned an appropriate amortization method and useful life for recording and reporting purposes in the TCA Financial Reporting. Strategies employed to assign useful lives to assets included, but are not limited to:
 - 6.3.1.1. Engineering estimates.
 - 6.3.1.2. Historical precedent of longevity of similar assets.
 - 6.3.1.3. Design estimates.

6.4. **Acquisitions**

- 6.4.1. Acquisitions will be administered in accordance with the Town's Procurement Policy and will be recorded including all costs associated with making the asset operational in the calendar year purchased or donated.
- 6.4.2. The half-year rule will be applied for recording purposes as per PSAS.

6.5. **Disposal of TCAs**

- 6.5.1. Disposals of TCAs will be conducted in accordance with the Town's Procurement Policy and Disposition of Surplus Town Property Policy.
- 6.5.2. All revenue from the disposal of TCAs must be recorded to the general ledger within the appropriate department or as directed per Council resolution, and returned to the reserve account funding the replacement, as applicable.

6.6. **Betterments**

- 6.6.1. A betterment must significantly improve one of the following:
 - 6.6.1.1. Physical output or service capacity.
 - 6.6.1.2. Operating Costs.
 - 6.6.1.3. Useful Life.
 - 6.6.1.4. Quality of output.
- 6.6.2. All reported betterments will be evaluated on a case-by-case basis using a consultative process.
- 6.6.3. Normal maintenance will not be considered a betterment.

6.7. **Write Downs**

- 6.7.1. Normal wear and tear does not constitute a write-down and is considered normal amortization.
- 6.7.2. All reported write-downs will be evaluated on a case-by-case basis using a consultative process.

6.8. **TCA Capital Leases**

- 6.8.1. All reported capital leases will be evaluated on a case-by-case basis using a consultative process.

7. **RESPONSIBILITIES AND AUTHORITIES**

7.1. **Council** has the authority and responsibility to:

- 7.1.1. Adopt the Tangible Capital Asset Policy
- 7.1.2. Ensure, through Administration, that policies and procedures are in place to provide for the recording and reporting of all Town of Amherstburg TCAs.

7.2. **Senior Management Team (SMT)** has the authority and responsibility to:

- 7.2.1. Ensure that their direct reports comply with this policy and all related TCA procedures that facilitate the recording and reporting of TCAs.

7.3. **Treasurer** has the authority and responsibility to:

- 7.3.1. Ensure that TCAs are reported in compliance with PSAB 3150 requirements.
- 7.3.2. Provide an acceptable accounting structure that supports the recording of TCAs.
- 7.3.3. Provide communication, training, and on-going support regarding the use of this policy and related procedures.
- 7.3.4. Review this policy and attached appendices annually, or sooner if required, and update as necessary in consultation with the Town's external auditors.

7.4. **Supervisor of Accounting** has the authority and responsibility to:

- 7.4.1. Assess reported TCA activity data for completeness, accuracy, and auditability.
- 7.4.2. Maintain the Financial Reporting of TCA including but not limited to:
 - 7.4.2.1. Importing TCA activity data;
 - 7.4.2.2. Data integrity verifications;
 - 7.4.2.3. Reviewing asset categories for appropriateness;
 - 7.4.2.4. Reviewing asset thresholds;
 - 7.4.2.5. Reviewing useful life;
 - 7.4.2.6. Adjusting entries as required
 - 7.4.2.7. Reconciliation of Asset Management listings

- 7.4.3. Conduct an annual review of capital fund expenditures to ensure the proper capitalization of completed projects, identification, and categorization of work in progress and operating expenses.
- 7.4.4. Prepare an annual Year-End Asset Activity Schedule.
- 7.4.5. Prepare, safeguard, and maintain the TCA activity file to support all required audits.

8. LEGISLATIVE REFERENCES

APPENDIX A – TCA CATEGORIES, LIFE YEARS, AND THRESHOLDS

1. The table below is a list of asset categories, types, estimated useful life-years, and thresholds that the Town may use.
2. Capitalization thresholds are established to determine whether expenditures are to be capitalized as assets, and depreciated or treated as current year expenditures charged to operations.
3. The threshold levels apply to capital goods purchased and capital projects constructed.
4. Betterments are capitalized when they extend the useful life of the asset.
5. Further refinement to threshold levels may occur as the Town continues to develop its asset reporting needs.
6. Land Assets are based on the cost at the time of acquisition or current market value for donated land at time of transfer.
7. Drainage Assets are not capitalized for the TCA purposes.

Asset Category	Asset Type	Estimated Useful Life-Years	TCA Capitalization Threshold
Road Network	Road Network - Studies/Common Designs General	5-10	N/A-
	Road Surface (Rural) -only complete reconstruction or new full construction	60-	400,000
	Road Surface (Urban) -only complete reconstruction or new full construction	60-	400,000
	Sidewalks & Multi-Use Trails - ROW	30	250,000
	Streetlights	30	250,000
	Tar & Chip Road Surface	0	N/A
	Structures - ROW	30	30,000
	Signalized Crossings	30	250,000
Bridges & Culverts	Bridges & Culverts - Studies/Common Designs General	5-10	N/A-
	Bridge Culverts	30	250,000
	Bridges	30	250,000
	Culverts	30	250,000
Stormwater Network	Stormwater Network - Studies/Common Designs General	5-10	N/A-
	Catchbasins	50	500,000
	Storm Mains	50	500,000
	Storm Manholes	50	500,000
	Storm Pumping Stations	50	200,000
	Stormwater Ponds	75	500,000
	Roadside Ditch		N/A

Building & Facilities	Building & Facilities - Studies/Common Designs General	5-10	N/A-
	Fire Stations	40	500,000
	Gordon House	40	500,000
	Library Carnegie Building	40	500,000
	Libro Credit Union Buildings	40	500,000
	Libro Centre	40	500,000
	Parks Buildings	40	500,000
	Police Station	40	500,000
	Public Works Buildings	40	500,000
	St. Bernard Community Centre	40	500,000
	Town Hall & Fire Station One	40	500,000
	Municipal Parking Lots (does not include land value)	20	250,000
	Vehicles	Vehicles - Studies/Common Designs General	5-10
Building		5	50,000
By-law		5	50,000
Fire – Heavy Duty		15	500,000
Fire – Light Duty		5	50,000
Facilities – Light Duty		5	50,000
Public Works – Heavy Duty		5	50,000
Public Works – Light Duty		5	50,000
Public Works – Medium Duty		5	50,000
Transit		15	500,000
Parks – Heavy Duty		5	50,000
Parks – Light Duty		5	50,000
Machinery & Equipment		Machinery & Equipment - Studies/Common Designs General	5-10
	Fire	10	25,000
	It	10	25,000
	Parks	10	25,000
	Public Works	15	50,000
	Recreation	10	25,000
	Facilities	10	25,000
Land Improvements	Land Improvements - Studies/Common Designs General	5-10	N/A-
	Fencing	5-10	25,000
	Parking Lots	30	250,000
	Pathways/Signage	5-10	25,000
	Playgrounds	10	150,000
	Sports Fields	20	200,000
	Structures	20	200,000
	Park Infrastructure	30	250,000
	Park Amenities	20	200,000
	Public Art	Cultural	N/A
Water Network	Water Network - Studies/Common Designs General	5-10	N/A-
	Hydrants	75	N/A

	Water Machinery & Equipment	10	50,000
	Water Tower	50	250,000
	Water Treatment Plant	20-50	500,000
	Water Valves	75	N/A
	Water Vehicles	5	50,000
	Watermains	75	N/A
	Water Meters	20	N/A
Wastewater Network	Wastewater Network - Studies/Common Designs General	5-10	N/A--
	Amherstburg Wastewater Treatment Plant	30-50	500,000
	Big Creek Marsh Wastewater Treatment Plant	30-50	500,000
	Boblo Island Wastewater Treatment Plant	30-50	500,000
	Lagoons		N/A-
	Mcleod Wastewater Treatment Plant	30-50	500,000
	Wastewater Machinery & Equipment	10	25,000
	Wastewater Mains	75	N/A
	Wastewater Manholes	75	N/A
	Wastewater Pumping Station	50	200,000
Wastewater Vehicles	5	500,000	
Municipal Drainage	Municipal Drainage - Studies/Common Designs General	5-10	N/A-
	Municipal Drainage Pipe & Enclosures		N/A
	Municipal Drainage Pumping Stations	60	N/A-
	Municipal Drainage Culvert	60	N/A-
	Municipal Drainage Open Ditch		N/A
Naturalized Assets	Trees - ROW	50-100	N/A-
	Trees - Parks & Town Properties	50-100	N/A-
	Shoreline	30	300,000
	Naturalized Areas	50	500,000
	Leasehold Improvement	30	300,000