


POLICY

	Policy:	TANGIBLE CAPITAL ASSETS POLICY		
	Department:	Corporate Services		
	Division:	Finance	By-Law No.:	2015-49
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1. POLICY STATEMENT

- 1.1. 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 of Amherstburg departments, agencies and boards funded by the Town of Amherstburg, in whole or in part, or whose governing body contains Town of Amherstburg representation and whose financial transactions are accounted for within the Town's financial systems.
- 3.2. This policy shall be reviewed every two years from the date it becomes effective, and/or sooner at the discretion of the Director of Financial Service/Treasurer.

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. **Chief Administrative Officer (CAO)** is the Chief Administrative Officer for the Corporation of the Town of Amherstburg.
- 4.4. **Corporation** is the Corporation of the Town of Amherstburg.
- 4.5. **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:

- a. Temporary financing incurred during the construction of an asset.
- b. Costs of internal staff seconded to a project which results in a TCA, where their regular duties are backfilled.

- c. Development charges and permits.
 - d. Legal and professional costs
 - e. 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.
 - f. All non-recoverable taxes.
- 4.6. **Council** refers to the current elected Council for the Corporation of the Town of Amherstburg. This includes, as an entirety, the Mayor, Deputy Mayor and Councillors.
- 4.7. **Disposal** is the processes involved in the removal of the TCA from use and from the TCA sub-ledger subsequent to:
- a. Donation
 - b. Sale
 - c. Abandonment
 - d. Destruction
- 4.8. **Director** is the person responsible for direction and operational control of a division as defined on the Town's organizational structure.
- 4.9. **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.
- 4.10. **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.
- 4.11. **Heritage or Cultural Assets** are works of art and historical treasures.
- 4.12. **Linear Assets** are assets constructed or arranged in a continuous and connected network, such as roads and sewers.
- 4.13. **Manager** reports directly to a Director (or the CAO in some instances) and who is responsible for a department within a division of the Corporation, as defined on the Town's organizational structure.
- 4.14. **PSAB** is the Public Sector Accounting Board.
- 4.15. **Pooled Assets** are assets that have a unit value below the capitalization threshold but have a material value as a group. These assets will be combined into a single asset in the financial system. Notwithstanding the threshold limit the following assets shall be pooled and the pool deemed to be itself a tangible capital asset:

- a. Computers and peripherals
 - b. Software
 - c. Street lights
 - d. Fire hydrants
 - e. Firemen uniforms
 - f. Service revolvers
- 4.16. **Senior Management Team (SMT)** is comprised of the Chief Administrative Officer and the Directors. If a Director is unavailable, a delegate may be assigned.
- 4.17. **Staff** is any person employed with the Town of Amherstburg, including any union or non-union, regular or temporary, full-time, part-time, seasonal or casual staff member, including but not limited to permanent staff, temporary staff, students, recreation staff, contract employees, and paid work placements.
- 4.18. **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.
- 4.19. **Tangible Capital Assets (TCAs)** are non-financial assets having physical substance that:
- a. 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.
 - b. Have useful economic lives extending beyond an accounting period.
 - c. Are to be used on a continuing basis.
 - d. Are not for sale in the ordinary course of operations.
- 4.20. **Town** is the Corporation of the Town of Amherstburg.
- 4.21. **Treasurer** is the Treasurer for the Corporation of the Town of Amherstburg.
- 4.22. **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.
- 4.23. **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.
- 4.24. **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.

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.
- 5.2. Where the Treasurer is authorized to undertake any act pursuant to this policy, such act may be undertaken by the Treasurer's authorized designate.

6. GENERAL CONDITIONS:

6.1. Asset Category

- 6.1.1. TCAs will be recorded by appropriate category into the Financial Reporting TCA sub-ledger.
- 6.1.2. Assets considered "pooled" will be recorded into specific accounts and/or chart-fields as stipulated in pooled assets procedures. Appendix A attached provides the listing of TCA categories.

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 Financial Reporting TCA sub-ledger.
- 6.2.2. Pooled assets will be recorded as stipulated in pooled asset procedures. Appendix B attached provides the listing of TCA 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 Financial Reporting TCA sub-ledger. 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.

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.

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.

6.7. **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.

6.9. **Heritage or Cultural Assets**

- 6.9.1. Heritage or cultural assets are not subject to capitalization and amortization since it is not possible to make a reasonable estimate of the future benefits of such property.
- 6.9.2. Existence of heritage or cultural assets will be disclosed as a note to the financial statements.

7. RESPONSIBILITIES AND AUTHORITIES

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

7.1.1. 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. **Director of Financial Services/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. **Directors** have the authority and responsibility to:

7.4.1. Ensure the on-going recording of TCA activity is conducted in accordance with established TCA procedures and this policy.

7.4.2. Reporting TCA activity to the Supervisor of Accounting.

7.4.3. Sign an annual Year-End Asset Activity Schedule, as prepared by the Financial Services Department, as a declaration of the accuracy and completeness of departmental TCA activity. This schedule provides information required for the annual external audit.

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

7.5.1. Assess reported TCA activity data for completeness, accuracy, and auditability.

7.5.2. Maintain the Financial Reporting TCA sub-ledger including but not limited to:

7.5.2.1. Importing TCA activity data;

7.5.2.2. Data integrity verifications;

- 7.5.2.3. Reviewing asset categories for appropriateness;
- 7.5.2.4. Reviewing asset thresholds;
- 7.5.2.5. Reviewing useful life;
- 7.5.2.6. Adjusting entries as required
- 7.5.3. 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.
- 7.5.4. Prepare an annual Year-End Asset Activity Schedule.
- 7.5.5. Prepare, safeguard, and maintain the TCA activity file to support all required audits.

8. REFERENCES AND RELATED DOCUMENTS

- 8.1. Procurement Policy
- 8.2. Disposition of Surplus Town Property Policy

9. PROCEDURES

- 9.1. Administration has the authority to establish procedures for implementing this policy and to amend those procedures as required in the best interests of the Town with the concurrence of the CAO and Town Solicitor (if required).

APPENDIX A – TCA CATEGORIES

1. The following is a list of asset classes, categories and sub-categories the Town shall use:

PRIMARY ASSET CLASS	CATEGORY	SUB-CATEGORIES
Infrastructure	Water	Watermains Valves Hydrants Water Treatment Plants
Infrastructure	Wastewater	Sewer Mains Pump Stations Sewage Treatment Plants Lagoons
Infrastructure	Transportation	Roads Bridges and Culverts Traffic Signals Signs, etc.
Infrastructure	Storm Water	Manholes Catch Basins Storm Sewers
General	Land	N/A
General	Land Improvements	Playground & Park Equipment Turf Fields Picnic Shelters, etc.
General	Buildings & Improvements	Structures Site Elements Interior & Exterior Components Mechanical/Electrical Systems Fire & Safety Furniture & Fixtures Arena Marina
General	Technology & Communications Equipment	Hardware & Peripherals Software Communication Equipment, etc.
General	Fleet	Cars Police Cruisers Light Trucks Fire Trucks
General	Machinery & Equipment	General Equipment Grounds Equipment Heavy Construction Equipment.

APPENDIX B – TCA THRESHOLDS

1. 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.

PRIMARY ASSET CLASS	ASSET CATEGORY	CAPITALIZATION THRESHOLD
Infrastructure	Water	\$10,000
Infrastructure	Wastewater	\$10,000
Infrastructure	Transportation	\$10,000
Infrastructure	Storm Water	\$10,000
General	Land	Capitalize Only
General	Land Improvements	\$5,000
General	Buildings & Improvements	\$5,000
General	Technology & Communication Equipment	\$5,000
General	Construction in Progress	Capitalize Only
General	Vehicles	\$5,000
General	Machinery & Equipment	\$5,000

2. The threshold levels applies to capital goods purchased and capital projects constructed.
3. Long term assets that do not individually meet threshold limits, but do meet threshold limits when aggregated, are to be capitalized.
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.

APPENDIX C – AMORTIZATION RATE SCHEDULE

PRIMARY CLASS	ASSET CATEGORY	SUB-CATEGORY	COMPONENT	ESTIMATED USEFUL LIFE
Infrastructure	Water	Watermains	N/A	100
		Valves	N/A	100
		Hydrants	N/A	75
		Water Treatment Plants	N/A	20-50
		Water Tower	N/A	50
Infrastructure	Wastewater	Sewer Mains	N/A	100
		Pump Stations	N/A	50
		Sewage Treatment Plants	N/A	30-50
Infrastructure	Transportation	Asphalt Road Surface	N/A	20
		Concrete Road Surface	N/A	25
		Paved Stone Road Surface	N/A	15
		Gravel Road Surface	N/A	20
		Tar & Chip Road Surface	N/A	20
		Road Substructure	N/A	40
		Bridges	N/A	30
		Culverts	N/A	30
		Sidewalks	N/A	30
		Parking Lights	N/A	30
		Traffic Lights	N/A	20
		Street Lights	N/A	30
		Signage	N/A	5

APPENDIX C – AMORTIZATION RATE SCHEDULE (Continued)

PRIMARY CLASS	ASSET CATEGORY	SUB-CATEGORY	COMPONENT	ESTIMATED USEFUL LIFE
Infrastructure	Storm Water	Manholes	N/A	50
		Catch Basins	N/A	50
		Storm Drains	N/A	50
General				
General	Land Improvements	Playground & Park Equipment	N/A	5-15
		Turf Fields	N/A	20
		Washrooms	N/A	20
		Picnic Shelters	N/A	20
		Outdoor pools, spray pools	N/A	20
General				
General	Buildings	Structures	N/A	40
		Exterior Envelope	Roofs	20
			Windows	20
			Doors	20
			Concrete	20
			Other	20
		Mechanical/Electrical	HVAC Systems	20
			Lighting	20
			Security Systems	20
			Electrical Panel	20
		Interior Envelope	Flooring	20
			Furniture & Fixtures	20
		Fire Safety	Control Panel	20
			Smoke Detectors	20
		Plumbing	Sprinkler System	20
		Site Works	Asphalt	20
			Water Lines	20
Sewer Lines	20			

APPENDIX C – AMORTIZATION RATE SCHEDULE (Continued)

PRIMARY CLASS	ASSET CATEGORY	SUB-CATEGORY	COMPONENT	ESTIMATED USEFUL LIFE
General	Buildings	Arena	Air Conditioner	20
			Brine Chillers	20
			Compressors	20
			Dehumidifiers	20
			Ice Resurfacing Machin	15
			Ice Surface Lights	25
			Low E Ceiling	15
			Refrigeration Condenser	25
			Scoreboard	25
			Sound System	25
		Marina	Docks/Piers	30
			Seawalls	50
			Bulkheads	50
			Board Walks	20
General	Information Technology	Telecommunications	N/A	5

		Plotter	N/A	10
		Communications Towers	N/A	30
		Computer & Server Equipment	N/A	5
General	Fleet	Cars	N/A	5
		Light Trucks	N/A	5
		Medium Vehicles	N/A	5
		Heavy Vehicles	N/A	5
		Police Cruisers	N/A	3
		Fire Trucks	N/A	15
	Machinery & Equipment	General Equipment	N/A	10
		Grounds Equipment and Machinery	N/A	10
		Heavy Construction Equipment	N/A	15