

POLICY

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|  | Policy: | Tangible Capital Assets | | |
| | Department: | Corporate Services | | |
| | Division: | Financial Services | By-Law No.: | N/A |
| | Administered By: | Treasurer | Approval Date: | Dec. 15, 2025 |
| | 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 on an existing tangible capital asset that increases its previously assessed physical output or service capacity, reduce associated operating costs, extend its estimated useful life, and/or improve the quality of its output. The cost of a betterment may be capitalized and the combined net book value is then amortized over the asset's remaining useful life or the life of the betterment, whichever is shorter.

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:

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.

6.3. Pooling of Assets

6.3.1. Assets will be pooled in these specific circumstances and included in the TCA's if threshold met:

- 6.3.1.1. Roads: Total value of roads within the subdivision/development
- 6.3.1.2. Sidewalks: Total value of roads within subdivision/development

6.4. Amortization and Useful Life

6.4.1. 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:

- 6.4.1.1. Engineering estimates.
- 6.4.1.2. Historical precedent of longevity of similar assets.
- 6.4.1.3. Design estimates.

6.5. Acquisitions

6.5.1. 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.

6.5.2. The half-year rule will be applied for recording purposes as per PSAS.

6.6. Disposal of TCAs

6.6.1. Disposals of TCAs will be conducted in accordance with the Town's Procurement Policy and Disposition of Surplus Town Property Policy.

6.6.2. 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.

6.7. Betterments

- 6.7.1. A betterment must significantly improve one of the following:
 - 6.7.1.1. Physical output or service capacity.
 - 6.7.1.2. Operating Costs.
 - 6.7.1.3. Useful Life.
 - 6.7.1.4. Quality of output.
- 6.7.2. All reported betterments will be evaluated on a case-by-case basis using a consultative process.
- 6.7.3. Examples of expenditures typically classified as betterments include:
 - 6.7.3.1. Replacing a major component with a significantly improved version (e.g., installing a more powerful engine in a ship or replacing an old shingle roof with a modern fireproof tile roof);
 - 6.7.3.2. Major renovations that extend a building's useful life past the original estimate;
 - 6.7.3.3. Additions that become an integral part of an existing asset, such as building an extra wing on a hospital or adding a production unit to a machine;
 - 6.7.3.4. Significant upgrades to a building's electrical system to meet new demands, or installing permanent walls and doors to create new offices.
- 6.7.4. Normal maintenance will not be considered a betterment.
- 6.7.5. Expenditures that fall below the capitalization threshold identified in Appendix A will be reviewed to determine whether there was significant improvement as per 6.6.1 and material financial impact.
- 6.7.6. If the work extends the useful life or otherwise meets the definition of a betterment, the associated cost will be added to the related asset's cost, combined with the existing net book value, and amortized over the shorter of:
 - 6.7.6.1. The remaining useful life of the asset, or
 - 6.7.6.2. The useful life of the betterment itself.
- 6.7.7. If the work does not extend useful life or enhance service capacity, the cost will be treated as repairs and maintenance and expensed as incurred.

6.8. Write Downs

- 6.8.1. Normal wear and tear does not constitute a write-down and is considered normal amortization.

6.8.2. All reported write-downs will be evaluated on a case-by-case basis using a consultative process.

6.9. **TCA Capital Leases**

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

7. **RESPONSIBILITIES**

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 |

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|----------------------------------|--|----------|---------|
| 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 | -N/A |
| | 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 | N/A- |
| | 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 | 50,000 |
| 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 |