

**THE CORPORATION OF THE
TOWNSHIP OF EDWARDSBURGH/CARDINAL**

BY-LAW NO. 2015-45

**"A BY-LAW TO ADOPT A POLICY WITH RESPECT
TO TANGIBLE CAPITAL ASSETS"**

WHEREAS the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) issues standards and guidance with respect to matters of accounting and financial reporting in the public sector which reflect solid financial accounting and reporting to serve the public interest by strengthening accountability in the public sector;

AND WHEREAS Section 294 of the Municipal Act, 2001, as amended, provides that a municipality shall for each fiscal year prepare annual financial statements for the municipality in accordance with generally accepted accounting principles for local governments as recommended from time to time by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants;

AND WHEREAS this policy provides guidelines for the accounting and recording of tangible capital assets for all departments, boards and committees of the Township of Edwardsburgh/Cardinal and applies to financial results for fiscal years ending after January 1, 2009;

NOW THEREFORE the Council of the Corporation of the Township of Edwardsburgh/Cardinal enacts as follows:

1. That the Tangible Capital Asset policy attached hereto as Schedule 'A' is hereby adopted.
2. That this by-law will come into effect on passing.
3. That by-law 2010-60 is hereby repealed.

Read a first and second time in open Council this 27th day of July, 2015.

Read a third and final time, passed, signed and sealed in open Council this 27th day of July, 2015.



Mayor



Clerk

Schedule "A"
By-Law 2015-45

Purpose:

This document provides policies and guidelines for the accounting and recording of tangible capital assets. Where any conflict occurs between this document and the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Board (PSAB) Handbook, the CICA PSAB Handbook is to be followed.

Objective: This Policy supports the following Treasury Department Objectives:

- Fiscal Responsibility
- Accountability for the Municipality's Tangible Capital Assets
- Compliance with PSAB
- Efficient and effective use of TCA
- Enhanced measurement of cost of service
- Improved information to support long term planning
- More comprehensive communication with citizens

Scope:

The policy applies to all Departments, Boards & Committees, and other organizations falling within the reporting entity of the Corporation of the Township of Edwardsburgh /Cardinal (the Township). Tangible capital asset reporting was required for the annual audited Financial Statements commencing January 1, 2009 including the restatement of the 2008 comparative figures.

Despite this policy, each Department, Board or organization continues to be responsible for the proper use, care and maintenance of their tangible capital assets. Although not required for capitalization accounting, a Department Head may choose to maintain an inventory of non-capital assets for control, security, and replacement planning purposes.

Solely accounting for tangible capital assets based on historical cost and amortization will not provide for future replacement of assets. Asset management practices aimed at providing for the future cost of replacing capital assets may require alternative financing considerations.

Accountability Framework:

Township Council Responsibilities

As per *the Municipal Act*, Township Council is responsible for setting and amending the Tangible Capital Asset Policy for the municipality.

Treasury Department Responsibilities

The Treasury Department (Treasurer) is responsible to:

- Liaise with the Township appointed auditors regarding accounting policy matters and providing appropriate documentation for accounting estimates as required.
- Ensure tangible capital asset accounting policies are applied consistently and assisting with determination of accounting estimates;
- Evaluate, on a regular basis, the appropriateness of the accounting policies in light of Township operations and make recommendations for changes as appropriate and bring to Council for approval of those changes, and provide the impact of such changes on the current and comparative financial statements;
- Update this policy to reflect changes in Township programs and services and as new tangible capital asset classes are acquired, purchased or constructed.
- Advise and assist in preparation of budgets and contracts in order to implement this policy.
- Maintain records of business transactions. Ensure that all purchasing transactions are reflected in the books of account and documentation is retained in accordance with the Tangible Capital Asset Policy.

Township Staff Responsibilities

- Ensure that procurement activities and budget preparation of tangible capital assets will provide the information required to afford the treatment of all tangible capital assets in accordance with this policy.
- Liaise with the Treasury Department where required in order to ensure that financial information is sufficient for the Treasurer to render decisions in accordance with PSAB.
- Manage tangible capital assets with prudence and probity to ensure best value for tax dollars and appropriate long term capital planning.

Definitions:

Tangible Capital Assets are non-financial assets that have physical substance that:

- Are held for use in the production or supply of goods and services;
- Have useful economic lives that extend beyond one year;
- Are used on a continuing basis; and
- Are not for sale in the ordinary course of operations.

For clarification the following are some items not considered as tangible capital assets: intangible assets, official plans, by-laws, copyrights, and natural resources.

Cost is the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset. Capital grants are not to be netted against the cost of any tangible capital asset. Actual costs should be made up of all the costs that are directly related to bringing an asset into service including preparation, development, and acquisition costs. Capital costs are net of any discounts, rebates or refundable taxes and include but are not limited to:

- Amounts paid to third parties including contractors, suppliers, and vendors
- Transportation/ freight charges
- Transportation insurance costs, customs and duty charges
- Handling and storage charges
- Direct design/ production charges
- Direct interest or borrowing costs
- Direct engineering, architectural and other outside services for designs, plans, specifications and surveys
- Acquisitions and preparation costs
- Fixed equipment and related installation costs
- Direct costs of inspection, supervision and administration of construction contracts and work
- Legal and recording fees
- Damage claims
- Appraisal and advertising costs
- Application fees
- Direct utility costs
- Site preparation costs

Deflated Cost is a technique used to calculate the value of an asset using current replacement costs deflated/discounted back to the asset's year of acquisition to generate an estimate of its historical cost. Where the historical cost was unknown, the Township has used deflated cost for capital assets as at December 31, 2007. Assets have been based on Stats Can Non-Residential Building Construction Price Index Deflator Table. Actual asset acquisition costs will be used in future years.

Constructed or Developed Assets would normally include direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. Direct Township in-house labour and equipment will be included in the cost of the applicable capital asset, as well as the current overhead or labour burden rate.

Betterment is a capital improvement to an asset that either increases the asset's service capacity, efficiency, or extends the asset's useful life. Maintenance and repair expenditures are costs that are incurred to keep an asset at its expected operating condition and are not capitalized.

The following general criteria indicate betterment

- The estimated useful life is increased by 25%
- The capacity is increased by 5%
- The efficiency is increased by 10%

Capital Leases are considered tangible capital assets if they meet the definition of a tangible capital asset and they meet at least one of the following points:

- Substantially all of the benefits and risks incident to ownership of the leased asset are, in substance, transferred to the Township;
- There is reasonable assurance that the Township will obtain ownership of the leased asset by the end of the lease term;

- During the term of the lease, the Township will receive substantially all of the economic benefits expected to be derived from the use of the leased asset over its life span;
- The Township is responsible for performance, availability and/or maintenance of the leased item; or
- The Township is responsible for other potential risks of asset ownership including obsolescence, environmental liability and uninsured damage or condemnation of the leased asset.

Fair Market Value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

Pooled Assets are a homogenous group of assets having a similar expected useful life, value, and acquisition date. The value of an individual asset is below the capitalization threshold but upon acquiring several assets in a single purchase or when these costs are aggregated, the pooled asset makes up a significant group that exceeds the threshold. Examples of pooled assets are library books, bunker gear, and pagers.

Whole Asset and Asset Component; The whole asset approach accounts for an asset with multiple parts as if it is one asset. The asset component approach breaks one asset down into multiple components so that they can be capitalized separately. Assets that were historically capitalized as a whole asset may be recorded with a component asset approach on a go-forward basis. Using the component approach will be determined by usefulness of the information versus the cost of collecting and maintaining information in the more detailed component level.

Policy Principles:

Asset Class

All tangible capital assets will be identified within one of the following asset classes:

Asset Classes

General Capital

- Land
- Land Improvements
- Buildings
- Building Improvements
- Leasehold Improvements
- Vehicles
- Machinery & Equipment
- Pooled Assets

Infrastructure

- Land
- Land Improvements
- Buildings
- Building Improvements
- Leasehold Improvements
- Vehicles
- Machinery & Equipment
- Linear Assets

Capital Thresholds

Capital thresholds are used to determine which assets will be capitalized and assets that do not meet the appropriate threshold will not be accounted for as tangible capital assets but expensed in the period. Threshold amounts are to be used as a guide in addition to professional judgment. The following thresholds establish the dollar amount that an asset, group of assets, or betterment should meet or exceed in order to be recorded as a tangible capital asset:

Corporation of the Township of Edwardsburgh/Cardinal
Tangible Capital Asset Policy

Asset Class	Threshold Amount
Land	All
Land Improvement	\$15,000.00
Buildings	\$15,000.00
Building Improvements	\$15,000.00
Leasehold Improvements	\$15,000.00
Vehicles	\$5,000.00
Machinery & Equipment	\$5,000.00
Linear Assets	\$15,000.00
Pooled Assets	\$5,000.00 annually

Land normally has an indefinite useful life that exceeds the useful life of the buildings, roads, or structures situated on the land. The cost of the acquired land is separated from the other costs and maintained in asset components. In accordance with General Accepted Accounting Principles, the cost of land is not amortized. Due to the age of the land within the road rights-of-way, land under Township roads as at December 31, 2007 is considered to have a nominal value of \$1 per road section. Unopened road allowances, rights-of-way and easements are valued at \$1. All other land existing as at December 31, 2007 was valued at its actual historical cost and if the actual cost was unknown a nominal value of \$1.00 was assigned. If land was acquired as a result of a formal transaction which had no cost to the Township a nominal value is assigned. Actual land acquisition costs will be used in future years.

Land Improvements include gravel and asphalt parking lots. Gravel parking lots existing as at December 31, 2007 were valued at \$10.35/m² deflated to the year of acquisition with a useful life of 40 years. Asphalt parking lots existing as at December 31, 2007 were valued at cost with a useful life of 25 years. Actual costs will be used in future years.

Buildings are all structures that provide shelter from the elements. Examples include various office buildings, garages, equipment depots, salt domes, fire stations, libraries, etc. all buildings existing as at December 31, 2007 were valued based on actual historical costs. Actual costs will be used in future years.

Building Improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both. A building improvement should be capitalized if the expenditure for the improvement meets or exceeds the capitalization threshold. Examples of building improvements are roof replacement, window replacement, etc.

Leasehold Improvements are improvements to a leased asset that increase the value of the asset and will be amortized. Actual costs were used and actual costs will be used in the future years

Vehicles are means of transportation, usually having wheels, for transporting persons or things or designed to be towed behind such an apparatus. Includes vans, trucks, tractors, mowers, graders, loaders, trailers, etc. Actual costs were used for vehicles existing as at December 31, 2007 and actual costs will also be used in future years.

Machinery & Equipment is an apparatus, tool, device, implement or instrument that likely uses energy to facilitate a process, function or completion of a task. Machinery and equipment may include computers, software, IT accessories, printers, phone systems, furniture and fixtures. It may be installed within a building, but is generally capable of being moved and reinstalled at a different location, if need be (that is, it is not permanently affixed to or integrated into the building or structure in which it resides).

Linear Assets are infrastructure assets generally constructed or arranged in a continuous and connected network including road base, road surface, bridges, streetlights, storm drain systems, water distribution systems and sanitary collection systems. Bridge assets existing as at December 31, 2007 were valued at historical cost, if known or based on their reproduction cost identified in the 2010 Bridge Management Study and all other linear assets existing as at December 31, 2007 were valued at actual historical cost, if known, or based on replacement costs deflated to the year of acquisition. Actual costs will be used in the future years.

Contributed or donated assets should be valued at actual cost and if not known, fair market value at the donated date, should be used. If determining the fair market value is not feasible, the asset should be recorded at the nominal amount of \$1.00.

Heritage Assets are works of art and historical treasures considered irreplaceable and preserved for future generations. Heritage assets will not be valued as tangible capital assets but will be disclosed in the notes to the financial statements.

Work in Progress refers to capital acquisitions or construction projects that are not yet complete/in-service and costs are incurred over multiple accounting periods. Capital assets that are deemed to be work in progress must be recorded on the financial statements as such. All costs associated with a work in progress asset are to be capitalized but not amortized. When complete and in-service, the value will be reported as a tangible capital asset within the appropriate asset class and amortization expense will commence. If a work in progress project is terminated, the total cost is written-off in the year that the project is terminated unless there is an alternate use for the asset.

Accounting:

Amortization Method will be straight-line amortization over an asset's useful life for all assets and will be calculated on a yearly basis. In the year of acquisition an entire year of amortization expense will be incurred; leaving no amortization remaining in the final year.

Useful Life of an asset is an estimate of the number of years that the asset will continue to be in-service. The useful life of an asset is generally the shortest of the asset's physical, technological, commercial, or legal life. Standard typical asset lives are detailed in the Township Standard Estimated Useful Life Table.

The useful life of a TCA depends on its expected use by the municipality. Factors to be considered in estimating the useful life of a TCA include:

- Experience with similar assets through use;
- Expected future usage;
- Effects of technological obsolescence;

- Expected wear and tear from use or the passage of time;
- The maintenance program;
- Studies of similar items retired; and
- The condition of existing comparable items.

Useful life will be established through collaboration between the Operating Department and Treasury Department. The service potential of an asset is normally consumed through usage. Factors such as obsolescence, excessive wear and tear or other events could significantly diminish or increase the service potential that was originally anticipated from the asset.

Financial reporting standards require the useful life of an asset to be reviewed at the end of each reporting period, and, if expectations differ from previous estimates, the change in useful life is to be accounted for as a change in accounting estimate. The rationale supporting the decision to revise useful life estimates of an asset should be documented.

Acquisition and In-Service Date: the acquisition date is the date that the asset was acquired. The in-service date is the date when the asset became active in the organization's operations. For Township purposes, the date of acquisition and the in-service date will normally be the same.

Residual Value is the expected value of an asset at the time of disposal or retirement. The Township's practice is to use assets for the complete duration of their useful life; therefore the residual value will be \$1.00 unless extenuating circumstances dictate otherwise.

Obsolete assets refer to assets which are:

- At the end of its lifecycle or no longer being used
- Outmoded in style or design
- Technologically outmoded by new technological innovations
- Decline in, or cessation of the need for the service provided by the asset

An annual review of the asset inventory will be completed to determine if assets are being used at all or are in storage. If an asset is being stored, a record of its last use will be used to determine its functionality and whether it can be put back into service or sold. In the event that there is no use or value to an asset, it should be disposed. Disposal of an obsolete asset can be done either through donation, selling it or scrapping the asset..

Disposal occurs when a tangible capital asset is no longer the property of the Township. When an asset is disposed, the cost and the accumulated amortization are removed from the accounts. The difference between the net proceeds and the carrying amount of the asset is accounted for as a revenue or expense in the statement of operations.

Write-down is a reduction in an asset's value due to an event that causes a permanent decrease in an asset's capacity, efficiency, and or useful life. The net write-down of a tangible capital asset will be accounted for as an expense and should not be reversed.

The following general criteria indicate a write-down:

- The estimated useful life is decreased by 25%
- The capacity is decreased by 5%
- The efficiency is decreased by 10%

Transfer of Capital Assets: Transfers of capital assets between departments shall be at the net book value of the asset. The receiving department will record the asset at its original historical cost and accumulated amortization.

Township Standard Estimated Useful Life Table

Asset Class	Asset Description	Estimated Useful Life
Land	Land	perpetual
Land Improvements	Gravel Parking Lots	40
	Asphalt Parking Lots	20
	Ball Diamonds	40
	Tennis Courts	25
	Retaining Walls	25
	Fencing	25
	Signs	12
Buildings	Stone/ Block Construction	100
	Steel Frame Construction	60
	Wood Frame Construction	40
Building improvements	Roofs, windows, etc.	20
Leasehold Improvements	Spencerville Front Ball Diamond	40
Vehicles	Trucks- Light & Medium Duty	7
	Trucks- Heavy Duty	12
	Fire Emergency Response- Pumper	15
	Fire Emergency Response - Tanker	20
	Construction – Heavy Duty	12
	Tractors – Heavy Duty	12
	Tractors – Light & Medium Duty	12
	Mowers	10
	Trailers	7
	Ice Resurfacer/ Zamboni	12
Equipment	Generators	10
	Playground Play Structure	15
	Arena Time clocks	25
	Library Shelving	40
	Computers and Software	3
	Swimming Pools	40
Linear Assets	Bridges & Culverts	40
	Road Base	perpetual
	Road Surface- Paved	15
	Road Surface- Gravel	perpetual
	Street lighting	25
	Storm Sewer pipes	60
	Water distribution pipes	50
	Sanitary collection pipes	60

Corporation of the Township of Edwardsburgh/Cardinal
Tangible Capital Asset Policy

Township Standard Estimated Useful Life Table continued		
Asset Class	Asset Description	Estimated Useful Life
	Sidewalks- cement	25
	Sidewalks- paved	20
Pooled Assets	Library Books, DVDs, Magazines, etc.	7
	Bunker Gear	10
	SCBA & misc.	10
	Pagers & radios	10