



CORPORATE POLICY

POLICY NO. 03-02-01	DEPARTMENT Finance
SUBJECT Tangible Capital Assets	EFFECTIVE DATE October 26, 2009
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1.0 POLICY

The objective of this policy is to ensure that all departments and entities of the Municipality are in compliance with section 3150 of the Public Sector Accounting Board Handbook and the Province's legislation.

And to provide guidance as to how TCAs should be recognized and accounted for, as well as the criteria used to determine the useful life and value of the TCAs.

2.0 SCOPE

All departments, boards, commissions, agencies and other organizations falling within the reporting entity of the municipality shall account for and report all TCA in accordance with this TCA policy.

3.0 DEFINITIONS

(See Schedule B)

4.0 DIRECTIVES

- 4.1 TCAs must be accounted for and reported in the municipality's financial statements when:
 - i) The acquisition or construction costs are known or can be reasonably estimated;
 - ii) Future economic benefits associated with the asset are likely to be received; and
 - iii) The value of the asset exceeds the *Threshold Value* of Schedule A.

- 4.2 All assets not meeting the established *Threshold Value* of Schedule A must be expensed as an operation's expenditure.

- 4.3 The costs of a TCA must be capitalized when it is brought into use and amortized over its *Useful Economic Life* in accordance with **Schedule A**.

The cost of a TCA (*PSAB 3150.10*) is the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset and includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the acquisition, construction or development of the asset. These costs include but are not limited to:

- Transportation/freight charges to the point of initial use;
- Direct design/production costs such as labour, equipment rentals, materials and supplies;
- Non-refundable taxes
- Engineering, architectural and other outside services for designs, plans, specifications and surveys;
- Fixed equipment and related installation costs required for activities in a building or facility;
 - Legal and recording fees and damage claim and;
 - Site preparation costs.

- 4.4 For the purpose of capitalizing and amortizing TCAs, the assets may be accounted for using a *Whole Asset*, *Pooled Asset* or *Component* approach. The appropriate approach to be used should be determined by the usefulness of the information and the costs of collecting and maintaining that information.

Factors to consider when determining whether to use a *Component* or *Whole Asset* approach include:

- Major components have significantly different useful lives and consumption patterns than the related tangible capital asset.
- The value of the components in relation to the related tangible capital asset.

Factors to consider when determining whether to use a *Pooled* approach include:

- Assets that might be below the capitalization threshold individually but are typically purchased or held in large quantities so as to represent significant expenditures overall

- 4.5 TCA and amortization information must be budgeted, reported and maintained in the municipality's financial statements.

- 4.6 Maintenance and expenses for repairs that do not prolong an asset's economic life or improve its efficiencies are not *Betterments*. Such costs should be charged to operations and maintenance expenditures in the accounting period in which they are incurred. These costs include typical expenditures for repairs to restore assets damaged by fire, flood or similar

events to the condition just before the event. These expenses would be necessary to realize the benefits originally projected.

- 4.7 TCAs must be categorized and recorded according to the *Primary Asset Categories* and *Amortization* periods from **Schedule A**.

5.0 CATEGORIZATION OF ASSETS

5.1 Primary Asset Class

(see **APPENDIX A**)

5.2 Excluded Assets

The following assets should not be capitalized or amortized:

- Land acquired by right, such as Crown, forests, water and mineral resources;
- Works of art and historical treasures; and
- Intangible assets such as patents, copyrights, official plans, studies and trademarks.

5.3 Land

Land normally has an indefinite useful life that exceeds the useful lives of the buildings, roads or structures situated on the land. The cost of acquired land is separated from the other costs of an asset and maintained as a component. The cost of the acquired land is not amortized as land normally maintains its value over time.

5.3.1 Landfills

The site has a pre-determined life expectancy or tonnage capacity that is reported in the original feasibility study for the capital project. The capital assets, along with the Landfill, can be amortized on the basis of either project life expectancy or annual tonnage processed. For the equipment used in the landfill such as bulldozers and loaders, they will be accounted for and recorded as TCA.

At the termination of operations, it is with reason to assume that the buildings at the landfill site have no residual value, unless they can be moved, and that the entire property normally has no commercial value. However, if the site is to be used as a green space or recreational purposes after it has been dormant for 50 years, the Municipality may place a residual value on the land

5.3.2 Cemeteries

Since the land is like a special-purpose landfill, where the site becomes permanently impaired for all other future uses, all site improvements made to prepare the land for the use of a cemetery should be treated as costs of a tangible capital asset. Site improvements include general grading and landscaping, drainage works and grading of access roads.

A cemetery should be broken down into four major components:

- buildings and operational areas as a works yard;
- landscaped gardens or grounds and;
- access roads and paths to get to the plots; and
- the burial plots

Cemetery plots that are available are to be treated as inventory and as such they are tangible capital assets. If the lease is in perpetuity, the plot may therefore not be available to others and should be accounted for as though it was sold.

5.3.3 Unopened Road Allowances

Unopened Road Allowances be valued at \$1,000.00

5.3.4 Shoreline Allowances

Shoreline Allowances should be valued at \$1,000.00

5.4 Equipment and Technology

Equipment includes fixed or moveable TCAs to be used for operations, the benefits of which extend beyond one year from date of receipt and are above the *Threshold* level.

Technology includes computers and consists of hardware and software (purchased and created) that can be considered a component of, is typically attached to, or communicated with an information system. Including, but not limited to:

- memory apparatus
- input and output devices
- storage devices
- connectivity equipment
- printers and copiers

5.5 Work-In-Progress

Work in progress (WIP) is the construction and development of a capital asset that extends over several years. Work in progress is not capitalized or amortized until the asset is in use. The capital costs for such an asset should be established to allow capital costs to be tracked separately for

easy identification in reporting. Amortization is calculated and begins the first fiscal year that the asset is in use.

Examples of WIP are the construction of a new road, building or the development of an asset which occurs over several years. WIP would also include the down payments and deposits which are applied to the cost of a capital asset.

5.6 Contributed Assets

A tangible capital asset may be gifted or contributed (*PSAB 3150.14*) by an external third party with no cash outlay. For example, a developer may install services such as storm systems mains or roads within a subdivision at its own cost and then turn them over to the municipality to operate, maintain and replace. Where an asset is acquired through a third party contribution, the amount to record the asset at is the cost provided by the contributor. If the cost cannot be provided, a fair value may be estimated using either market or appraised values or a qualified third party evaluation.

When the Municipality receives funds from a third party, such as the provincial or federal government, to assist with the construction or purchase of a capital asset, the full cost of the asset should be recorded. The funds received are to be recognized as revenue

5.7 Acquired, Constructed or Developed assets

Cost includes all costs directly attributable (e.g., construction, architectural and other professional fees) to the acquisition, construction or development of the asset. Carrying costs such as internal design, inspection, administrative and other similar costs may be capitalized. Capitalization of general administrative overheads is not allowed.

Capitalization of carrying costs ceases when no construction or development is taking place or when the tangible capital asset is ready for use.

5.8 Heritage Assets

Heritage assets (*PSAB 3150.08*) are works of art and historical treasures considered irreplaceable and preserved in trust for future generations. Collections or individual items of significance that are owned and not held for financial gain but rather public exhibition, education or research in maintenance of public service may be considered heritage assets. Heritage assets will not be recognized as TCA in financial statements, but the existence of such property should be disclosed (*PSAB 3150.42 (e)*)

Amortization of heritage assets does not apply as the economic benefit or service potential of heritage assets are used up so slowly and the estimated useful lives are extraordinarily long.

5.9 Capital Leases

Capital leases are a means of financing the acquisition of a capital asset where the lessee carries substantially all of the risks and benefits of ownership. If the arrangement is an operating lease, not all benefits and risks transferred to the leaseholder, then the lease payments should be expensed and no liability is recorded. Capital leases are recorded as if the leaseholder had acquired the asset and assumed liability.

If one or more of the following criteria exists, the lease should be accounted for as a capital lease:

- There is a reasonable assurance that the municipality will obtain ownership at the end of the lease;
- The municipality will receive substantially all of the economic benefits of the asset;
- The leaser is assured of recovering the investment in the asset and earning a return.

Where at least one of the conditions in the preceding paragraph is not present, other factors may indicate that a capital lease exists. For example:

- The municipality owns or retains control of the land on which a leased asset is located and the asset cannot be easily moved;
- The municipality contributes significant assistance to finance the cost of acquiring or constructing the asset that it will lease; or

The municipality bears other potential risks, such as obsolescence, environmental liability, uninsured damage or condemnation of the asset and any of these are significant

If the minimum threshold value is exceeded, a capital asset and a liability should each be recorded for the present value of the minimum lease payments. The leased asset should be amortized over the lesser of the lease term or estimated useful life for similar capital assets as presented in **Schedule A**. Maintenance costs should be excluded when calculating minimum lease payments. The discount rate should be the lesser of the Municipality's incremental borrowing rate or the interest rate implicit in the lease, if determinable.

6.0 ASSET VALUATION AND CAPITALIZATION

Tangible capital assets should be recorded at cost plus all ancillary charges necessary to place the asset in its intended location and condition for use. The PSAB 3150 should be used as a reference when considering applicable costs.

6.1 Thresholds

Capitalization threshold relates to the minimum dollar threshold that is used to assist in determining which expenditures will be capitalized as assets and amortized and which expenditures will be treated as current year expenses. The capitalization threshold has an impact on the size of the asset inventory and the complexity of managing subsequent acquisitions and disposals. The capitalization threshold levels established and presented in **Schedule A** are a balance between the accurate presentation of information for decision-making and the cost of acquiring and maintaining such information.

6.2 Original Value of Asset is Unknown

In the case where *Historical Records* cannot be located in order to value an asset, it is necessary to develop costs in today's dollars and then discount them back to the date the asset was constructed/acquired. In the case where the year the asset was constructed or acquired is unknown, an estimate of the number of years remaining and the current value of the asset should be used. Working backwards an estimated year and value can be determined.

Where historical cost information is not available departments may use appraised or some appropriate measure of current value and extrapolate back to estimated historical cost using relevant price/cost index (*PSAB 3150.47*).

6.3 Purchased Assets

Cost is the gross amount of consideration paid to acquire the asset. It includes all non-refundable taxes and duties, freight and delivery charges, installation and site preparation costs, etc. It is net of any trade discount or rebate.

Cost of land includes purchase price plus legal fees, land registration fees, transfer taxes, etc. Costs would include any costs to make the land suitable for intended use, such as pollution mitigation, demolition and site improvements that become a part of land.

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.

6.4 Pooled Assets

Departments must be aware of the impact that pooling of assets (i.e. storm system service laterals, valves, or road resurfacing) might have. For example, when the value of an individual item is less than the threshold level, but upon acquiring several of these assets in a single purchase or when these costs are aggregated, the asset makes up a significant group that exceeds the threshold level then they must be capitalized.

6.5 Infrastructure Assets

Infrastructure Assets are 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.

6.5.1 Roads

Once the values have been determined, those current values will be discounted to an estimated year of construction. Roads will be categorized as components, consisting of land, base/subsurface, and surface.

6.6 Capitalization of Interest Costs

Borrowing costs incurred by the acquisition, construction and production of an asset that takes a substantial period of time to get ready for its intended use should be capitalized as part of the cost of that asset.

Capitalization of interest costs should commence when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalization should be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use are complete.

6.7 Useful Economic Life

Useful life (*PSAB 3150.28*) is the estimate of the period over which tangible capital asset is used and is established in **Schedule A** of this policy. The economic or physical life of an asset may be extended beyond the useful life of an asset. Depending on the nature of the asset, useful life may be expressed in terms of time (years) or output (production or service units). Estimating useful lives of assets is a matter of judgment, based on experience and should be applied on a consistent basis. Factors to be considered in estimating the useful life include:

- Expected future usage;

- Technical obsolescence;
- Expected wear and tear through the passage of time;
- Maintenance program; and
- Condition of existing comparable items.

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 the service potential that was originally anticipated from the asset. The estimated useful life of an asset category and remaining useful life of individual assets should be reviewed by the Department Head, in conjunction with the Treasurer, on a regular basis and revised when appropriate. The rationale supporting the decision to revise useful life estimates of an asset should be documented.

Significant events that may indicate a need to revise the estimated useful life of an asset may include:

- Completion of a major betterment;
- Change in extent that the asset is used;
- Change in the manner that the asset is used;
- Removal of asset from service for extended period of time;
- Physical damage or destruction;
- Significant technological developments;
- Change in law, environment or public preferences that affect usage and time periods over which asset are used.

A number of factors may trigger the need for a review of the expected useful life of an asset or its components such as major investments including upgrades to critical components:

- Significant changes in the market value;
- Pattern of differences in rate of wear and tear compared to that previously expected;
- Pattern of differences in levels of maintenance compared to that previously expected;
- Results from engineering testing indicating higher than expected rates of structural deterioration;
- Major changes in technology increasing the rates of obsolescence for critical components;
- Major changes in government programs impacting the expected use of assets;
- Major changes in government regulations, policies or standards impacting expected use of assets; and
- Major damage to an asset.

7.0 BETTERMENTS

7.1 Betterments

Betterments (*PSAB 3150.19*) are considered to be capital asset additions for the assets to which they relate and should be recorded as part of the main asset but need to have their own identification number and tracked separately. Betterments which meet the threshold of the applicable capital asset category are capitalized; under the threshold they are expensed

Betterments are enhancements to the service potential of a capital asset, such as:

- A reduction in associated operating costs;
- An extension of useful life;
- An improvement in the quality of output.

When a *Betterment* enhances the service potential of a capital asset without increasing its estimated useful life, the amortization period should remain the same. If however, the betterment increases the estimated useful life of a capital asset, its useful life for amortization should also change.

7.2 Repairs and Maintenance

Repairs & Maintenance (*PSAB 3150.21(a)*) expenditures are costs to keep the condition of an asset at its expected operating standard. These expenditures are usually incurred on a more or less continuous basis. For example, regular maintenance activities prescribed by the manufacturer of a new heating, ventilation and air conditioning system (HVAC) would normally be required to ensure that the asset is able to provide service at a level and quality as originally intended by the manufacturer. Performance of regular maintenance may also be required as part of the product warranty provided by the manufacturer. The costs of regular maintenance of traffic signals and line painting will be expensed. Costs that do not increase the original assessed useful life, service capacity or quality of output would be expensed as incurred.

They include:

- Repairs to restore assets damaged by fire, flood, accidents or similar events, to the condition just prior to the event. Any money received from insurance is to be used to offset the unexpected cost; and
- Routine maintenance and expenditures, such as repainting, cleaning and replacing minor parts.

Maintenance and expenses for repairs which do not prolong the asset's useful life or improve its efficiencies are not betterments. Such costs are charged to operations and maintenance in the accounting period in which they are incurred (expensed).

Examples of Capital versus Maintenance Expenditures:

Description	Capital	Operations / Maintenance
Roads	- New/reconstruction of roadways and related environmental studies - Street Resurfacing - Alteration of Intersections , street capacity / design	- Routine repairs, patching, crack sealing
Traffic	- New upgrade signal equipment - Other physical improvements enhancing safety / capacity	- Repair / Maintenance for systems operations
Fleet Equipment	- New or replacement vehicles / equipment with a useful life greater than one year	- Operational equipment with a useful life of less than one year
Facilities	- Design / Construction of new Facilities - Renovations / Upgrades / Replacement of existing facilities or major components thereof. i.e. roofing or HVAC	Preventive Maintenance performed on regular basis that does not significantly upgrade the structure or increase useful life. i.e. paint.
Water and Sewer	- Upgrade/replacement of Existing distribution /collection main servicing several properties	Emergency repair to broken main isolated to one specific location
Waste Management	New/replacement containers/weigh scales	Contract for waste collection/processing

7.3 Replacements

Replacements involve the removal of component parts and substitution of a new part or component of essentially the same type and performance capabilities. If the component being replaced had been previously segregated in the accounting records as a distinct asset for amortization over a specific expected useful life and meets the threshold of the

applicable asset class, the new component is capitalized and the old component is retired with its residual net book value removed from the accounts. The original cost of the new component and the related accumulated amortization should be removed from the accounting records.

If the component being replaced was not significant enough to be previously segregated from the whole property as a distinct asset, then the replacement is normally considered a repair and the costs are expensed as incurred. If the replacement of the component results in an enhancement of the service potential of the property as a whole, the replacement is considered betterment and the costs are capitalized.

7.4 Additions

Additions are made to an existing asset to extend, enlarge or expand the existing asset. Examples include adding an extra wing or room to a building or the addition of a lane to an existing roadway. As additions increase service capacity or physical output of a property, they are betterments. The costs of additions should be capitalized.

7.5 Upgrades

Upgrades involve the removal of a major part or component of an asset and the substitution of a different component having significantly improved performance capabilities beyond the property's original design standard. Refer to "Disposal" section for financial implications.

An upgrade increases the overall efficiency (i.e. increasing utilization, lowering operating costs, or increasing output of service) quality (i.e. transforms asset into a higher class property) or extends the expected useful life of an asset. The costs of upgrades are capitalized.

The following examples would have characteristics of an upgrade:

- Installing air conditioning in a building that was previously not air-conditioned increasing the service quality of the property;
- Replacing existing lighting with energy saving lighting reducing future operating costs;
- Substituting a tile roof for wooden shingle increasing the expected useful life of the building beyond its current estimated useful life;
- Replacing an elevator with a new high speed elevator improving the building class of the overall property; or

Replacing a furnace with a high efficiency furnace decreasing future operating costs

7.6 Adjustments

7.6.1 Trade-Ins

A trade in occurs when an asset is disposed and replaced with a new asset through the same supplier in the same transaction. This transaction should be accounted for as two separate entries. The trade in value should be treated as proceeds of disposal and is used in calculating the gain or loss on the disposal of the assets being traded in. The new asset acquired is recorded at its full cost; trade in value for the old asset does not affect the cost of the new asset.

7.6.2 Disposals

The disposal of a capital asset results in its removal from service as a result of sale, destruction, loss, abandonment or becoming obsolete. When a capital asset is disposed of, the cost and the accumulated amortization should be removed from the accounting records and any gain or loss is recorded at that time. Costs that are associated with the disposal and paid by the municipality should be expensed.

A gain or loss on disposal is the difference between the net proceeds received and the net book value of the asset and should be accounted for as a revenue or expense, respectively, in the period the disposal occurs.

7.6.3 Write Downs and Write Offs

A capital asset should be written down when a reduction in the value of the asset's service potential can be measured and the reduction is expected to be permanent. Write downs of capital assets should be accounted for as an expense in the current period. Annual amortization of an asset that has been written down should be calculated using the net book value after the write down and the remaining estimated useful life. Conditions that indicate a write down is necessary may include a change in the manner or extent to which the asset is used:

- Removal of the asset from service;
- Physical damage;
- Significant technological developments
- A decline in, or cessation of the need for the service provided by the asset;
- A decision to halt construction of the asset before it is complete or in a usable or saleable condition; or
- A change in the law or environment affecting the extent to which the asset can be used.

8.0 AMORTIZATION

Amortization is the allocation of the cost of an asset less its estimated residual value to expense over the estimated useful life of the asset (*PSAB 3150.22*). The asset will be used to provide services or deliver programs to the public over the assets' estimated useful lives. Where the residual value of the asset is significant then it should be factored into the calculation of amortization otherwise assume a zero residual value for the components. Amortization should be recognized in a rational and systematic basis appropriate to the nature and use of the asset. Amortization should reflect as closely as possible to the extent to which an asset's service potential is consumed over its useful life. Amortization should start as soon as an asset is completed and ready for use. This would be the case even if the decision were made to delay placing the asset into service. Where construction of an asset is comprised of distinct, multiple and self-contained phases, amortization must begin for the distinct phases that are completed.

Amortization is calculated using the straight-line method based on the estimated useful life of each asset. The straight-line method is calculated by dividing the asset's original cost, less estimated residual value, by its estimated life in years. This yields a constant annual amortization amount each year.

For example: A building that costs \$3,000,000 and has an estimated useful life of 40 years would yield annual amortization of \$75,000 ($\$3,000,000 / 40$ years).

Schedule A

Primary Asset Class #	Primary Asset Class	Description / Notes	Capitalization Threshold	Estimated Useful Economic Life
100	Land	<ul style="list-style-type: none"> • Real Property in the form of a plot, lot or area • Includes the purchase price and all closing costs to acquire the land <p>Examples: Municipal Park, Beach Property, Undeveloped Picnic Site, Festival Grounds, Playgrounds, Look Out Site, Heritage Area/Historic Sites, Cemetery, Subdivision, Trailer Park, Ecological Reserve, Training Grounds, Landfill Site, Waste Disposal Site/Dump and Road Allowances</p>	All	Indefinite
120	Land Improvements	<ul style="list-style-type: none"> • Includes all costs <u>excluding</u> land and buildings incurred in the development of land to facilitate various recreations and economic pursuits. <p>Examples include but are not limited to landfill site development, driveways, parking lots, bike paths, sidewalks, fences, ball diamonds, and tennis courts.</p> <p>Playground structures – 10 yrs Soccer field & ball diamonds – 20 yrs Basketball Courts - 10 yrs Running Track - 10 yrs Bowling Green - 20 yrs Skateboard Park - 15 yrs Campgrounds/Picnic Sites - 20 yrs Trails & Boardwalks – walking, biking – 20 yrs Fencing – 10 yrs Fountains – 20 yrs Outdoor lighting – 20 yrs Tennis courts – 10 yrs Landscaping – 10 yrs Retaining walls – 15 yrs Pavilion/Gazebo - 15 yrs Erosion control structures: retaining wall, crib wall, – 25 yrs Waterfront development - 20 yrs Tunnel - 50 yrs Parking lots: (i) Gravel – 10 yrs (ii) Asphalt – 20 yrs (iii) Concrete – 30 yrs</p>	\$15,000.00	10 – 50 years
110	Buildings	<ul style="list-style-type: none"> • All buildings, which function 		

		<p>independent of an infrastructure network and are made of solid construction</p> <ul style="list-style-type: none"> Includes Town office, fire hall, office buildings, museum, library, sport and recreation facilities, municipal depot, maintenance garages, storage sheds, park washrooms, Heritage / Interpretation centers, pumping sites, pumping stations, water supply building / water towers, purification / chlorination plant and equipment, sewer lift station, Airport Terminal. 	\$15,000.00	40 years
410	Vehicles	<ul style="list-style-type: none"> Automobiles, vans, light trucks (1 ton and under), trailers, snowmobiles, by-law enforcement vehicles, animal control vehicles, ice resurfacing machine, bus, mini bus 	5,000.00	10 years
240	Machinery & Equipment	<ul style="list-style-type: none"> All types of machinery or equipment used in the operation of delivery and providing municipal services. 	\$5,000.00	10 years
250	Heavy Equipment Vehicles	<ul style="list-style-type: none"> All types of machinery and equipment. Fire Trucks, Garbage trucks, salt trucks, Dump Trucks, Snow Plows, Snow Blowers, Sidewalk Blowers, Front End Loaders, Back Hoes, Dozers, Graders, Sidewalk / Road Sweepers, Heavy Equipment attachments (Buckets, blades) 	\$5,000.00	20 yrs
140	Computer Hardware & Software & Communication Equipment	<ul style="list-style-type: none"> Purchase installation of computers, peripherals and LAN servers Off-the-shelf and related upgrades or licenses for individual personal computers, as well as LAN or communication software Does not include the purchase, design and development of major applications. All major applications should be evaluated individually. <p>Examples: PC, Laptops, printers, scanners, fax machines, photocopiers,</p>	\$2,500.00	3 years

		telephones, cell phones, 2-way radios, paging system, cameras.		
150	Furniture & Fixtures	Examples: Desks, Chairs, File Cabinets, Water Dispensers	\$5,000.00	10 years
130	Leasehold Improvements	<ul style="list-style-type: none"> Costs to renovate, modify or improve accommodations leased by the municipality 	\$10,000.00	Variable
190	Road Surface	<ul style="list-style-type: none"> Asphalt – Residential Roads – 20 yrs Main Thoroughfare Roads – 12 yrs Gravel surface – 5 years Guard Rails – 20 yrs Chip and Seal – 10 yrs 	\$25,000.00	5 to 20 years
200	Road Grade	<ul style="list-style-type: none"> Includes formation works Includes the initial application of granular on gravel roads Future applications of gravel is an operating expense Consider segmentation of the network 	\$10,000.00	30 years
180	Bridges	<ul style="list-style-type: none"> Structures of 2 or more meters in length, which span and give passage over a waterway, deep valley, depression or some other obstacle such as another transportation route Timber / wood – 30 years Precast concrete – 40 yrs Concrete Pre Stressed – 45 yrs Steel w/o trusts – 45 yrs Steel with trusts – 50 yrs 	\$20,000.00	30 to 50 yrs
230	Marine Structures	<ul style="list-style-type: none"> Dock, boat launch – 25 yrs 	\$5,000.00	25 years
280	Signs	Examples include Traffic, Road, Street, Construction, Advertising signs	\$5,000.00	15 years
160	Lighting / Traffic Lights	<ul style="list-style-type: none"> Includes traffic lights and street lights for illumination Traffic lights – 15 yrs 	\$5,000.00	10 to 15 years
260	Safety Devices	Examples include Barricades, Pylons, Fire Fighter Gear	\$5,000.00	15 years
210	Culverts	<ul style="list-style-type: none"> Culverts of any diameter <ul style="list-style-type: none"> Plastic – 25 yrs Steel / Corrugated Steel – 15 yrs Concrete – 40 yrs Aluminized – 50 yrs Galvanized – 15 yrs 	\$10,000.00	15 to 50 years
340	Sidewalks & Curbs	<ul style="list-style-type: none"> Sidewalks – 30 yrs Curbs – 30 yrs 	\$10,000.00	30 years
	Drainage System	<ul style="list-style-type: none"> Ditch / Trench – 50 yrs 	\$25,000.00	50 years

420	Water Mains	Underground networks such as water distribution systems <ul style="list-style-type: none"> • Plastic: PVC & HDPE – 25 yrs • Ductile and Cast Iron – 30 yrs • Reinforced Concrete Pipe – 60 yrs 	\$25,000.00	15 to 100 yrs
370	Sewer Mains	Underground networks of waste water collection storm drainage collection systems. Sanitary Sewer Lines and Storm Sewers <ul style="list-style-type: none"> • Metal Corrugated – 15 yrs • Concrete, not reinforced – 40 yrs • Reinforced Concrete Pipe – 60 yrs • Ductile Iron and Cast Iron – 30 yrs • Plastic: PVC and HDPE – 60 yrs • Manholes & Storm Drains – 40 yrs • Sewage Outfall – 25 yrs 	\$25,000.00	15 to 100 yrs
170	Fire Hydrants		\$10,000.00	30 years
430	Water Meters		\$10,000.00	15 years
450	Water Tanks & Stand Pipes		\$10,000.00	25 years
340	Airport – Runways	Airport runways, strips and aprons	\$10,000.00	15 years
350	Airport – Navigational System	Runway Lighting and non-directional beacons	\$10,000.00	15 years
270	Library Collections	Examples include Books, Audio and Film media collections. <ul style="list-style-type: none"> • Hardcover Books – 10 yrs • Paperback Books – 7 yrs • Audio Media – 5 yrs • Visual Media – 3 yrs 	\$2,500.00	3 to 10 years

Schedule B

Amortization	<p>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 the TCA is funded. Depreciation accounting is another commonly used term used to describe the amortization of TCA.</p>
Betterment	<p>Any material cost incurred to enhance the service potential of an asset and will:</p> <ul style="list-style-type: none">• 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
Carrying Costs	<p>The costs which are 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 could include:</p> <ul style="list-style-type: none">• Technical and administrative work prior to commencement of and during construction;• Overhead charges directly attributable to construction or development.
Component	<p>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 than the whole asset does.</p>
Contributed Assets	<p>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).</p>
Costs	<p>The gross 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</p>

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.

Disposal

When tangible capital assets are taken out of service, destroyed or replaced due to obsolescence, scrapping or dismantling, the department head or designate must notify the Treasurer of the asset description and effective date. The Treasury department is responsible for adjusting the asset registers and accounting records recording a loss / gain on disposal.

Functional Asset Category

The service area in which the asset is used (i.e. Social Services, Transportation, and Administration).

Group Assets

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

Historical Cost

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.

Land

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

A capital lease is a lease with contractual terms that transfer substantially all the benefits and risks inherent in ownership of property to the Municipality. 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;

- There is reasonable assurance that the Municipality will obtain ownership of the leased property by the end of the lease term.
- The lease term is of such duration that the Municipality will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span.
- The leaser 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.

Market Value

The 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.

Net Book Value

The costs of a tangible capital asset, 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.

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 (i.e. computers on network, library collection, landfill animal-proof containers)

Primary Asset Class

A broad asset category that answers the question "What an asset is." i.e. Land, building or equipment.

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

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.

Reporting Entity A body with a separate and distinct existence, bearing legal liability, using resources to sell goods and services and incorporating a sense of financial responsibility

Tangible Capital Assets (TCA)

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 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 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. The life of a tangible capital asset, other than land, is limited as demonstrated in Figure 1.0.

Work in Progress 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-Downs / Write Offs

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.