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| Policy Name: Tangible Capital Assets | Policy No: S400-10 |
| Committee approval date: | December 5, 2022 |
| Council approval date: | |
| Revision date(s): | |
| Department/Division: | Corporate Services |

Policy Statement:

The objective of the policy is to ensure that Tangible Capital Assets (TCA) are identified, valued, recorded and managed by The Corporation of the Town of Pelham (the "Town"). All Tangible Capital Assets purchased by the Town regardless of funding source or account are the property of the Town unless expressed in writing otherwise. Tangible Capital Assets purchased must be for the benefit of the Town.

The Town follows Canadian generally accepted accounting principles as set out by the Public Sector Accounting Board (PSAB) of the Canadian Institute of the Chartered Accountants (CICA). These principles provide consistency and comparability across organizations. PSAB Handbook Section 3150 establishes the standards on how to account for and report Tangible Capital Assets. Compliance is required for financial statements prepared for fiscal years beginning on or after January 1, 2009.

Scope:

All tangible properties acquired by the Town, either through donation, construction, or purchase, that qualifies as a tangible capital asset is included in the scope of this policy.

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

- 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;
- Have useful economic lives extending beyond an accounting period;
- Are to be used on a continuing basis
- Are not for sale in the ordinary course of business.

The following will not be recognized as tangible capital assets:

- Crown land;
- Intangible assets such as goodwill and easements;
- Assets that do not meet capitalization thresholds;



- Natural resources including trees and woodlots;
- Works of art, historical treasures (disclosed in notes to the financial statements);
- Cost of studies such as the Official Plan and Development Charge/Assessment study;
- Inventories and supplies;
- Interest expense related to financing costs incurred during the time an asset is under construction; and
- Assets held for sale.

Details of Policy:

| No. | Topic |
|------------|--------------|
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1. Asset Recording

All departments and organizations owned or controlled by the Town are responsible for managing the assets under their control in an efficient and effective manner.

Each department with responsibility for maintaining the capital asset records are expected to maintain the following information:

- A capital asset continuity schedule identifying tangible capital assets in use at the beginning of the fiscal year, tangible capital assets purchased and disposed of during



the year, and tangible capital assets in use at the end of the fiscal year

- The date of each capital asset purchase
- The individual with carriage of the capital asset
- The location of the capital asset
- The date of disposal, proceeds on disposal and how the asset was disposed (e.g. redeployed, donated, sold, scrapped)

These records are to be filed with Corporate Services annually no later than December 15th each year.

2. Capitalization

2.1 Thresholds

The Town will record a TCA in its accounting ledgers if it meets or exceeds the dollar threshold of \$10,000 with the exception of land. All land will be capitalized regardless of its cost. See Appendix A.

2.2 Construction-In-Process (CIP)

Construction in Process represents the costs incurred to date on a TCA which is not substantially completed (<97% complete). Construction-in-process is reported as a TCA on the Consolidated Financial Statement. Construction-in-process is transferred to capital assets and amortization begins when the project is substantially completed or fully put into use. If an incomplete project is terminated or put on hold indefinitely, any costs currently recorded as Capital-In-Process must be written off.

2.3 Capital Leases

Capital leases are those that transfer substantially all the risks and rewards incidental to ownership of the asset to the Town, and would be recognized on the Consolidated Statement of Financial Position with a corresponding financial liability.

The value will equal the present value of the minimum lease payments, excluding the portion related to executory costs (costs relating to the operation of the leased tangible capital asset – e.g. insurance, maintenance costs and taxes).



3. **Asset Segments/Components**

Buildings and infrastructure assets (roads, water, wastewater and storm sewer) consist of a number of components. PSAB 3150 provides the option of accounting for such assets either as a single asset or treating each component as an individual asset

The Town records Building and infrastructure assets on a componentized basis.

| Category | Segments/Components |
|---------------------------|---|
| Building | Structure, Enclosure, Electrical, Mechanical, Fire Safety, Elevator, Finishes, Sitework and Other |
| Roads | Base (Paved), Surface (Paved), Gravel Roads, Sidewalks, Curb and Gutter, Guiderails, Street Lights, Traffic Signals, Road Signs |
| Water Distribution System | Mains, Hydrants, Water Chambers, Service Lines, Stations, Bulk Water Depot, Water Meters |
| Wastewater Network | Gravity Mains, Manholes, Pumping Station, Sewer Laterals |
| Storm Sewer Network | Mains, Chambers, Manhole, Inlets, Outlets, Storm Retention Ponds |

4. **Betterment**

Betterments are expenditures on Tangible Capital Assets that occur subsequent to the acquisition/construction and:

Increase previously assessed physical output or service capacity;

Lower associated operating costs;

Extend the useful life of the asset; or

Improve the quality of the output.

Betterments should meet the capitalization threshold. Any other expenditure would be considered a repair or maintenance and should be expensed in the period.

Examples of betterments that should be capitalized include: road widening, replacing entire



roof, replacing entire HVAC systems, building new offices within an existing building, major parking lot asphalt resurfacing. Examples of modification that would generally not be capitalized are items such as a minor or partial resurfacing of a parking lots or partial roof replacements.

5. Valuation

Purchased assets are recorded at cost and contributed assets are recorded at their estimated fair value at the date of acquisition. Cost includes the purchase price of the asset and all the directly attributable expenses in the acquisition, construction, development and or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Construction costs are capitalized at cost as work progresses.

The administrative costs associated with raising any debt required to finance the acquisition of a TCA will be capitalized. Any associated interest charges paid for the debt financing will be expensed.

Capital grants received are not netted against the cost of the related tangible capital asset.

The acquisition date is the earlier of:

- i) The date the asset is physically received by the City; or
- ii) The date legal ownership of the asset passes from the seller to the purchaser.

5.1 Art Works

Works of art and historical treasures are not recognized as tangible capital assets in financial statements but the existence of such property must be disclosed and reported. Expenditures for preservation, cleaning and restoration related to such property are expensed in the period incurred.

6. Amortization

All Tangible Capital Assets (except for land) must be amortized over its useful life on a straight line basis as noted in Appendix A. Half year amortization is charged in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible Capital Assets acquired are amortized based on the date the asset is placed in service or the constructed asset being substantially completed.



7. Impairment & Write Down

When tangible capital assets are taken out of service, destroyed or replaced due to change in law, obsolescence, scrapping or dismantling, the department head must notify the Deputy Treasurer of the asset description and effective date. The Finance staff is responsible for adjusting the accounting records to reflect the write-downs.

8. Disposals

The department Directors are responsible for approving all request for disposals after determining that:

- There are no other potential users of the tangible capital asset within the department;
- Consultation has occurred with other departments that may also use the tangible capital asset and wishes to accept it for future use.

In the event a tangible capital asset cannot be redeployed the department responsible for record keeping will facilitate either a donation, sale or other form of disposal. All items for sale are posted on the GovDeal websites and goes through a bidding process. Items are sold to the highest bidder.

The disposition of land, building and or infrastructure requires Council approval. In the event such a disposition is to occur, Corporate Services is to be notified.

The difference between the net proceeds on the disposal of a tangible capital asset and the net book value of the asset is accounted for in the Consolidated Statement of Operations as a Gain or Loss on the Sale of Tangible Capital Assets.

9. Subdivisions

Assets that meet the definition of Primary Services and Secondary Services of the Subdivision Agreement are effectively controlled by the Town once the Plan of Subdivision is registered. These assets will be recorded by the Town at the cost provided by the Developer's Consulting Engineer in the Completion Certificate(s).

10. Municipal Drains

Municipal drains will not be considered a land improvement and therefore will not be considered a tangible capital asset.



APPENDIX "A"

TCA Useful Life

| Asset Class | Asset Sub Class | Useful Life |
|--------------------------|-------------------------------|-------------|
| | | |
| Land | All Types | N/A |
| Land Improvements | | |
| | Athletic Field | 20 |
| | Ball Diamond | 20 |
| | Basketball Court | 20 |
| | Bleachers | 20 |
| | Fencing Gates | 20 |
| | Landscaping | 20 |
| | Outdoor Lighting | 20 |
| | Pickleball Court | 20 |
| | Pool - Outdoor | 20 |
| | Skateboard Park | 20 |
| | Sprinkler / Irrigation System | 20 |
| | Tennis Court | 20 |
| Buildings | | |
| | HVAC/Electrical/Mechanical | 15 |
| | Masonry Load Bearing Frame | 45 |
| | Park Pavilions | 20 |
| | Portable Structures | 25 |
| | Roof Replacement | 30 |
| | Salt/Sand Domes | 25 |
| | Steel Frame | 50 |
| | Wood Frame | 40 |
| Computer Hardware | | |
| | Desktops | 4 |
| | Laptops | 4 |
| | Printers | 4 |
| | Servers | 4 |
| Computer Software | All Types | 5 |
| Library | Collections | 15 |



| | | |
|--------------------------|---|----|
| Licensed Vehicles | | |
| | Light Duty (<4,500 kg) | 7 |
| | Medium Duty (4,501 kg - 9,000 kg) | 12 |
| | Heavy Duty (>9,000 kg) | 15 |
| | Fire Trucks | 20 |
| Linear Assets | | |
| | Bridges - Concrete | 50 |
| | Bridges - Structure | 75 |
| | Fire Hydrants | 40 |
| | Major Culvert - Concrete | 40 |
| | Major Culvert - Steele | 30 |
| | Paths/Trail - Dirt | 10 |
| | Paths/Trails - Asphalt | 20 |
| | Paths/Trails - Brick or Stone | 40 |
| | Pumping Station - Civil Works (Concrete Structures) | 40 |
| | Road - Asphalt | 20 |
| | Road - Base | 50 |
| | Road - Gravel | 15 |
| | Sanitary Manholes | 75 |
| | Sanitary Sewers - Concrete | 60 |
| | Sanitary Sewers - Metal | 50 |
| | Sanitary Sewers - PVC | 60 |
| | Sanitary Sewers - Service Connections/Lateral | 50 |
| | Sidewalk - Concrete | 30 |
| | Small Culverts - Plastic | 25 |
| | Small Culvert - Metal Corrugated | 30 |
| | Storm Drains - Cast Iron | 30 |
| | Storm Drains - Metal Corrugated | 30 |
| | Storm Sewers - Concrete | 40 |
| | Storm Sewers - PVC | 50 |
| | Street Lighting - Concrete Pole | 50 |
| | Street Lighting - Lamps (High Pressure Sodium) | 50 |
| | Street Lighting - Metal Pole | 50 |
| | Street Lighting - Wood Pole | 50 |



| | | |
|---------------------------------------|----------------------------------|-----|
| | Traffic Lights - Control Signal | 25 |
| | Traffic Lights - Lamp Arms | 25 |
| | Traffic Lights - Pole | 30 |
| | Valve and Chambers | 40 |
| | Water Main - Concrete | 60 |
| | Water Main - Metal/Cast Iron | 50 |
| | Water Main - PVC | 60 |
| | Water Main - Service Connections | 60 |
| | Water Meters | 15 |
| Machinery and Equipment | | |
| | Fire Services Equipment | 10 |
| | Fueling Systems | 25 |
| | Generator | 25 |
| | Ice Making Equipment | 20 |
| | Ice Surfacing Machine | 15 |
| | Instrumentation | 15 |
| | Kitchen Equipment | 15 |
| | Maintenance Equipment | 15 |
| | Mower | 15 |
| | Playground Equipment | 20 |
| | Refrigeration Equipment | 20 |
| | Road Maintenance Equipment | 15 |
| | Scoreboard/Clock | 25 |
| | Security Equipment | 10 |
| | Snow Removal Equipment | 15 |
| | Sound and PA System | 15 |
| | Telecommunication Equipment | 10 |
| | Tractor | 15 |
| | Transformer | 25 |
| Office Furniture and Equipment | | |
| | Office Equipment | 5 |
| | Office Furniture | 10 |
| Work-In-Process | | |
| | Construction in process | N/A |