1.0 EFFECTIVE

This policy will rescind the previous policy adopted at the November 2008 County Council Meeting and is to come into effect January 1, 2011.

2.0 POLICY

The County of Haliburton will follow a prescribed policy to record and manage the tangible capital assets owned by the County of Haliburton. The treatment of TCA for accounting purposes is intended to be in accordance with Generally Accepted Accounting Principles (G.A.A.P.), pronouncements of the Public Sector Accounting Board (P.S.A.B) and the Province of Ontario.

3.0 PURPOSE

This policy will provide all departments with information for assessing their physical resources by providing framework for:

- establishing guidelines for activities relating to financing and administration of resources for the acquisition, development or construction of TCA;
- ensuring that TCA are recorded appropriately and accurately;
- providing accountability over TCA; and
- gathering and maintaining information needed to prepare financial statements.

4.0 SCOPE

This policy applies to all County of Haliburton departments, boards and commissions, agencies and other organizations falling within the reporting entity of the County of Haliburton.

5.0 DEFINITIONS

Amortization – is 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 TCA is funded. Depreciation accounting is another commonly used term used to describe the amortization of TCA.

Betterment – is a material cost incurred to enhance the service potential of an asset and will:

- 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

Building - EMS – are buildings that are used twenty four hours a day, seven days a week to provide emergency services.

Capital Budget – is an estimate of expenditures for a capital project.

Capital financing – is an allocation from the current budget to finance capital programs that consists of debt charge payments and capital levy contributions.

Capital Program – is a combination of capital projects to be executed within a defined timeframe to meet the requirements of a particular department.

Capital project – is an activity during which expenditures are incurred that result in the creation of a capital asset.

Capital reserve – is an allocation of funds established as a result of legislation, council bylaw or contractual obligations for the funding of potential future capital projects.

Carrying Costs – are costs 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:

- technical and administrative work prior to commencement of and during construction;
- overhead charges directly attributable to construction or development.

Component – is 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 that the whole asset does.

Contributed Assets – 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).

Costs – is the 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 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.

Depreciation Accounting – is the accounting procedure in which the costs or other recorded value of a fixed asset less any estimated value on disposal is distributed over its useful life in a systematic and rational manner. It is a process of allocations, not valuation.

Disposal – refers to the removal of a capital asset from service as a result of a sale, destruction, loss or abandonment.

Fair Value – is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties (buyer and seller).

Functional Asset Category – is the service area in which the asset is used (i.e. health, transportation).

Gains – can arise from transactions and events including the disposition of assets purchased for use and not resale.

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 – of an asset is 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.

Infrastructure – is 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.

Land – is 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 – are non-financial assets leased by the municipality for use in the delivery of goods and services. Substantially all of the benefits and risks of ownership are transferred to the municipality without requiring the transfer of legal ownership.

Losses – can arise from transactions and events affecting local government. Such transactions and events include the disposition of assets purchased for use and not for resale.

Market Value – is defined as the estimated 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 – of a tangible capital asset is its cost, 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 Category – what an asset is, i.e. Land, building equipment

1st level – general asset or infrastructure

2nd level – identifies more specifically if it's one of the following

- land, land improvements
- building, leasehold improvements
- machinery and equipment, vehicles
- linear assets (unique to infrastructure)
- capital work-in-progress

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 – is 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.

Straight-line method – is amortization that allocates the costs less estimated residual value of a capital asset over each year of its estimated useful life.

Tangible Capital Assets (TCA) – are 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 – is 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 – is 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 schedule 10.2.

Work in Progress – is the accumulation of capital costs for partially constructed or developed projects.

Works of Art and Historical Treasures – are 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-down – is 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.

6.0 ACCOUNTABILITY

6.1 Council

- Accountable to the public for approving acquisition, control and disposal of tangible capital assets
- Accountable to the public for approving policies, procedures and guidelines as they relate to the management and financing of TCA

6.2 Chief Administrative Officer

- Accountable for the development of processes to reflect corporate priorities
- Accountable for the development of TCA plan for Council that will provide long-term sustainability of services

6.3 Department Heads

- Accountable to ensure TCA management is developed in such a manner as to reflect departmental business plans and is in compliance with policies and procedures
- Accountable to the Chief Administrative Officer (CAO) and Council to ensure that the management of TCA are carried out within departmental approved budgets
- Accountable for reporting capital budget variances as it relates to TCA to the CAO, Treasurer and Council
- Accountable, as part of the senior management team, for evaluating and prioritizing capital submissions for TCA against competing needs of all departments and within corporate priorities, management and financial planning as established by council

6.4 Treasurer

- Accountable for recommending policies and procedures surrounding the management of TCA and for the preparation of reports for presentation to both senior management and Council
- Accountable for ensuring adherence to statutory and policy requirements governing use of capital funds
- Accountable for recommendation of capital funding decisions for TCA to departments and Council
- Accountable for the development and recommendation of a financial plan to support the TCA program and is sustainable
- Accountable for reporting significant budget variances for TCA to Council in a consolidated format

7.0 CATEGORIZATION OF ASSETS

7.1 Tangible Capital Assets (TCA)

TCA are non-financial assets with physical substance that are acquired, constructed or developed and:

- Held for use in the production or supply of goods and services;
- Have useful lives extending beyond a fiscal year;
- Are intended to be used on a continuing basis; and
- Are not intended for sale in the ordinary course of operations.

TCA are a significant economic resource and a key component in the delivery of programs and services. The benefits that are expected through the exercise of capitalizing TCA include:

- Maintain appropriate accountability for government-owned TCA;
- Ensure accounting consistency across the organization;
- Ensure efficient and effective use of assets; and
- Provide information that will support measuring the cost of the programs and services.

7.2 Elements of Cost

The cost of a tangible capital asset *(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 may include but are not limited to:

- Amounts paid to vendors;
- Transportation/freight charges to the point of initial use;

- Handling and storage charges;
- Direct design/production costs such as labour, equipment rentals, materials and supplies;
- HST and other non-refundable taxes
- Engineering, architectural and other outside services for designs, plans, specifications and surveys;
- Acquisition and preparation costs of buildings and other facilities;
- Fixed equipment and related installation costs required for activities in a building or facility;
- Direct costs of inspection, supervision and administration of construction contracts and work;
- Legal and recording fees and damage claims;
- Fair values of land, facilities and equipment donated;
- Appraisal costs;
- Advertising Costs;
- Application fees;
- Supervisory fees;

7.3 Primary Category

The primary asset category will be shown in the notes to the financial statements as "Segmented by Asset Class". The list of primary asset categories to be used is as follows:

- Land
- Land Improvements
- Buildings
- Machinery & Equipment
- Vehicles
- Linear Assets
- Capital Work in Progress

7.4 Functional Category

The functional asset category will be shown in the notes to the financial statements as "Segmented by Division". The list of functional asset categories follows the Ministry of Municipal Affairs and Housing Financial Information Return including, but not limited to:

- General Government
- Protection of Person & Property
- Transportation Services
- Environmental Services
- Health Services
- Social and Family Services
- Recreation and Culture
- Planning and Development

7.5 Excluded Assets

The following assets should not be capitalized and amortized:

- Land (or other assets) 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, trademarks.

7.6 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.

Cemetery lands are being valued at one dollar with the available plots held as inventory
Land for Boat Launches are being valued at one dollar
Open Road Allowances are being valued at one dollar
Shoreline allowances, Closed and/or unopened road allowances are excluded.

7.7 Equipment & Technology

Equipment includes fixed or moveable TCA 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 communicates with an information system. Including but not limited to:

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

7.8 Work In Progress

Work in Progress is the construction or 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 accumulated until the asset is ready for use. A work in progress account 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 work in progress are the construction of a new road or building or the development of an asset which occurs over several years. Work in progress would also include the down payments and deposits which are applied to the cost of a capital asset.

7.9 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, land may be contributed by another level of government at zero or nominal consideration to facilitate the construction of a roadway or structure. Another example is 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 an estimate of fair value cannot be reasonably estimated, the asset will be recognized at a nominal value.

When the county 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.

7.10 Acquired, Constructed or Developed Assets

Cost includes all costs directly attributable (i.e. 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.

The County of Haliburton will not capitalize interest costs on tangible capital assets.

7.11 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.

7.12 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 lessee, then the lease payments should be expensed and no liability is recorded. Capital leases are recorded as if the lessee 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 reasonable assurance that the county will obtain ownership at the end of the lease;
- The county 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 county owns or retains control of the land on which a leased asset is located and the asset cannot be easily moved;
- The county contributes significant assistance to finance the cost of acquiring or constructing the asset that it will lease; or
- The county bears other potential risks, such as obsolescence, environmental liability, uninsured damage or condemnation of the asset and any of these are significant.

If the thresholds are met, 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 outlined in Schedule 10.2. Maintenance costs should be excluded when calculating minimum lease payments. The discount rate should be the lesser of the county's incremental borrowing rate or the interest rate implicit in the lease, if determinable.

8.0 CAPITALIZATION THRESHOLD

8.1 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 Figure 1.0 are a balance between the accurate presentation of information for decision-making and the cost of acquiring and maintaining such information.

Figure 1.0

Capital Asset Class and Category	**Threshold**
Land and land improvements	
Land	All
Land improvements	$5,000
Buildings and building improvements	
Buildings	All
Buildings – EMS	All
Building improvements	$5,000
Engineered Structures	$5,000
Machinery and equipment	
Heavy equipment	$5,000
Operating equipment	$5,000
Transportation equipment	
Vehicles – All Other	$5,000
Ambulances	$5,000
Emergency Response Vehicle	$5,000
Trailers	$5,000
Office and information technology	
Computer hardware	All
Computer software	$5,000
Infrastructure	
Road/Street – construction - Base	$20,000
Road/Street – construction – Surface	$20,000
Road/Street – Betterments/Upgrades	$20,000
Bridges - construction	$20,000
Bridges – Betterments/Upgrades	$20,000
Bridges – CNR	$20,000
Culverts - Steel	$20,000
Culverts – concrete box	$20,000
Water infrastructure	$20,000
Infrastructure - other	$20,000

Where it is not practical and cost effective to establish a reasonable estimate of historical cost, 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).*

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. The County of Haliburton will be using the Inflation Calculator, Bank of Canada, to use current values and deflate the values to an estimated historical cost for capital assets that are missing the historical cost information. The Inflation calculator allows input of dollar amount and year, and then will calculate to the year specified.

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, working backward in order for an estimated year and value can be determined.

8.2 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. Assets to be pooled are designated below and shall be reviewed with the Treasurer on an annual basis.

- Defibrillators
- IT Hardware
- Library Collection
- Stretchers/EMS Equipment

8.3 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.

8.4 Useful Life

Useful life *(PSAB 3150.28)* is the estimate of the period over which tangible capital asset is used and is established in section 10.2 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 judgement 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.

9.0 BETTERMENTS

9.1 Betterment

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, by more than 25%
- An improvement in the quality of output by more than 10%

Where 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.

9.2 Repairs & 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.

9.3 Replacement

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.

9.4 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.

9.5 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.

9.6 Adjustments

9.6.1 Trade-in

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.

9.6.2 Disposal

The disposal of a capital asset results in its removal from service as a result of sale, destruction, loss or abandonment. 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 County of Haliburton 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.

9.6.3 Write Down/Off

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.

10.0 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 will be calculated and begin using the half-year rule. The half-year rule states that assets purchased/put into service between January 1st and June 30th are amortized for the whole year, while assets purchased/put into service between July 1st and December 31st are amortized for only half of the year in which it is purchased/put into service.

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 has an estimated useful life of 40 years would yield annual amortization of $75,000 ($3,000,000/ 40 years).
Land has an unlimited useful life and should not be amortized.

Once an asset has been amortized to its salvage value amortization will stop on the asset until it is disposed of. If the asset will continue to be in service beyond the year when it has reached the salvage value then the asset should be reassessed as to whether it will be able to be sold/disposed of for that value.

11.0 SCHEDULES

11.1 Categorization of Assets

Capital Asset Category	Examples of Capital Assets	Examples of Capital Asset Costs
Land	• land acquired for parks and recreation, building sites and other programs • land purchased for construction of road surface, drainage areas and allowances or future expansions	• Purchase price • Professional fees for title searches, architect, legal, engineering, appraisals, environmental surveys • Improvement and development costs such as land excavation, filling, grading, drainage, demolition of existing buildings (less salvage)
Land improvements	• Fencing and gates, parking lots, paths and trails, landscaping, sports fields, and playgrounds	• Original purchase price or completed project costs including costs of material and labour or costs of a contractor
Buildings - high quality construction Buildings - medium quality construction Buildings - average quality construction Buildings - short term	• buildings with fireproofed structural steel frames with reinforced concrete or masonry floors and roofs • buildings with reinforced concrete frames and concrete or masonry floors and roofs • buildings with masonry or concrete exterior walls, and wood or steel roof and floor structures, except for concrete slabs on grade • operational storage facilities, sheds, small buildings, salt sheds, asphalt tanks, inventory storage buildings and pump houses	• original purchase price or completed project costs including basic costs of material and labour or costs of a contractor • costs to remodel, recondition or alter a purchased building to make it ready to use for the acquired purpose • preparation of plans blueprints, and specifications • costs of building permits, studies, tests (pre-acquisition costs) • professional fees for title searches, architect, legal, engineering, appraisals, environmental surveys • operating costs such as temporary buildings used during construction
Building improvements	• major repairs that increase the value or useful life of the building such as structural changes, installation or upgrade of heating and cooling systems, plumbing, electrical, telephone systems	• complete project costs including basic costs of material and labour or costs of a contractor • preparation of plans, blueprints, and specifications • cost of building permits, studies, tests • professional fees for architect, legal, engineering, appraisals, environmental surveys • operating costs such as temporary buildings used during construction

Leasehold and occupancy improvements	• improvements that increase the functionality of leased or similar accommodations (refer to the assets listed under the "building improvements" category)	• costs similar to those listed under the "building improvements" category
Operating equipment	• equipment specific to maintenance, and sanitation, safety, appliances, such as forklifts, welding machines, utility trailers, security systems, snow plows, radios, freezers, refrigerators, washers, meters, defibrillators	• original contract price or invoice price • freight charges • non-refundable tax on acquisition • installation charges • charges for testing and preparation • costs of reconditioning used items when purchased • parts and labour associated with the construction of equipment
Heavy equipment	• power and construction equipment such as graders, tractors, cranes, caterpillars, and trucks one tonne	• original contract price or invoice price • freight charges • non-refundable tax on acquisition • installation charges • charges for testing and preparation • parts and labour associated with the construction of equipment
Vehicles	• used primarily for transportation purposes such as automobiles, trucks under one tonne, vans, boats, all terrain vehicles, snowmobiles, ambulances, and ERV's	• original contract price or invoice price • freight charges • non-refundable tax on acquisition • costs of reconditioning used items when purchased • equipment costs such as lights, radios, etc.
Computer software	• off the shelf software and related upgrades, software licenses after removing any maintenance or similar charges	• purchase price of off the shelf software and related upgrades • non-refundable tax on acquisition • installation charges
Computer hardware	• servers, voice logging equipment, scanners, printers, hard drives, modems, tape drives, plotters, and computers	• purchase price • installation charges • freight and transit charges • non-refundable tax on acquisition

System development	• consultant fees, web site development and custom develop software	• external direct costs of materials and services such as consultant fees • web site development costs • costs to acquire software and any custom development • salary and related benefits of employees directly associated with the application development stage • costs of upgrades that improve the functionality of the system
Office furniture and equipment	• desks, tables, chairs, filing cabinets, fax machines, photocopiers, videoconferencing stations, projectors, and digital cameras	• original contract price or invoice price • freight and installation charges • non-refundable tax on acquisition • costs of reconditioning used items when purchased • parts and labour associated with the construction of furniture
Roads/Streets - construction	• municipal roads	• direct costs of construction including tender construction costs, labour, materials, survey costs, and project specific design costs • construction & material costs related to overhead structures and signage • salary & travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control
Roads/Streets - repaving	• major resurfacing and preservation overlays on municipal roads	• direct costs of construction including labour & materials • salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control
Bridges - construction	• bridges	• direct costs of construction including tender construction costs, labour, materials survey costs, and project specific design costs • salary & travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control

Bridges - upgrades	• upgrades to bridges	• direct costs of construction including labour and materials • salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control
Culverts	• Culverts	• Direct costs of construction including tender construction costs, labour, materials, survey costs, and project specific design costs • Salary and travel costs for employees assigned to the project for direct management, inspection and quality control
Roads/Streets - other	• light systems (traffic, outdoor, street) signals for railways, new signage initiative, rumble strips and aggregate pit acquisition costs	• original purchase price • installation charges • charges for testing and preparation • parts and labour associated with construction and installation
Water infrastructure	• dams, drainage facilities, docks, sewer systems, sewage lagoons, marinas, reservoirs, pumping facilities, tanks and associated infrastructure	• original purchase price • direct costs of construction including labour and materials • salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection and quality control
Other infrastructure	• landfills, tanker bases, dump stations	• costs that support infrastructure but are not included in any other category

11.2 Thresholds & Useful lives
Capital Asset Thresholds, Estimated Useful Lives and Amortization

The table below outlines the threshold and estimated useful life application to each capital asset category. A threshold of ALL, means that all capital asset purchases, regardless of cost, are recorded.

This list is to be used as a guideline only; classes and categories can be changed and useful life may be different by department at the discretion of the Treasurer.

Capital Asset Class and Category	Threshold	Estimated Useful Life
Land and land improvements		
Land	All	Indefinite
Land improvements	$5,000	15 years
Buildings and building improvements		
Buildings	All	40 years
Buildings – EMS	All	20 years
Building improvements	$5,000	40 years
Engineered Structures	$5,000	40 years
Machinery and equipment		
Heavy equipment	$5,000	20 years
Operating equipment	$5,000	10 years
Transportation equipment		
Vehicles – All Other	$5,000	10 years
Ambulances	$5,000	4 years
Emergency Response Vehicle	$5,000	5 years
Trailers	$5,000	20 years
Office and information technology		
Computer hardware	All	5 years
Computer software	$5,000	5 years
Infrastructure		
Road/Street – construction - Base	$20,000	40 years
Road/Street – construction – Surface	$20,000	*
Road/Street – Betterments/Upgrades	$20,000	*
Bridges - construction	$20,000	50 years
Bridges – Betterments/Upgrades	$20,000	*
Bridges – CNR	$20,000	100 years
Culverts - Steel	$20,000	35 years
Culverts – concrete box	$20,000	75 years
Water infrastructure	$20,000	40 years
Infrastructure - other	$20,000	15 years

*Due to the different types of surface treatments the useful life is to be provided by the Director of Public Works on an asset by asset basis.

Schedule 11.3

Identification Categories & Numbers

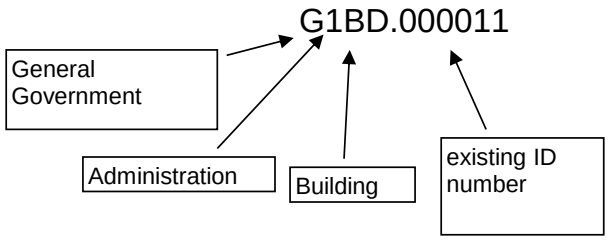
Functional (FIR) Categories		
General Government	G	
Administration		1
Protection of People and Property	P	
Fire		1
Police		2
Protective Insp/Contr		3
Emergency Measures		4
Other		5
Transportation	T	
Roadway		1
Winter Control		2
Parking		3
Street Lighting		4
Air Transportation		5
Other		6
Envirnmental Services	E	
Sanitary Sewer System		1
Storm Sewer System		2
Waterworks System		3
Waste Disposal		4
Recycling		5
Other		6
Health Services	H	
Public Health Services		1
Ambulance Services		2
Cemeteries		3
Other		4
Social/Family	S	
Social Housing		1
Other		2
Recreation and Culture	R	
Parks		1
Recreation Facilities		2
Libraries		3
Cultural Services		4
Trails		5
Other		6
Planning and Development	D	
Planning & Zoning		1
Shoreline Allowance		2
Other		3

Primary Asset Categories	
Land	LA
Land Improvements	LI
Buildings	BD
Equipment	EQ
Vehicles	
Licensed	VL
Unlicensed	VU
Trailers	VT
ATV's	VA
Boats	VB
Snowmobiles	VS
Miscellaneous	VM
Linear Assets	
Roads	LR
Bridges	LB
Culverts	LC
Water	LW
Sewers	LS

First Letter **functional category**
Second number **functional sub-category**
third and fourth letter **Primary asset category**
last 6 digits **unique/existing id for the asset**

Examples of ID number

County Building
ID Code:



Ambulance
ID Code: