

POLICY

04-2025



SUMMER VILLAGE OF BONDISS

TANGIBLE CAPITAL ASSETS POLICY

PURPOSE:

The purpose of this policy is to determine the classification, capitalization threshold, and amortization of tangible capital assets in the Summer Village of Bondiss.

1. DEFINITIONS:

a. Tangible Capital Assets:

Assets having physical substance that:

- i) Are used on a continuing basis in the Summer Village's operations
- ii) Have useful lives extending beyond one year.
- iii) Are not held for re-sale in the ordinary course of operations.

b. Betterments:

Subsequent expenditures on tangible capital assets that:

- i) Increase previously physical output or service capacity.
- ii) Lower associated operating costs.
- iii) Extend the useful life of the asset or
- iv) Improve the quality of the output.

Any other expenditure would be considered a repair or maintenance and expensed in the period.

c. Group Assets:

Assets that have a unit value below the capitalization threshold but have a material value as a group. Normally recorded as a single asset with one combined value. Although recorded in the financial systems as a single asset, each unit may be recorded in the asset sub-ledger for monitoring and control of its use and maintenance. Examples could include personal computers, furniture and fixtures, small moveable equipment, etc.

d. Fair Value:

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

2. POLICY STATEMENTS:

a. Capitalization:

Tangible capital assets should be capitalized (recorded in the fixed asset sub-ledger) according to the following thresholds:

- i) All land;
- ii) All buildings;
- iii) Engineered structures (built assets such as roads, bridges, sewers, water, transit, parks, etc.) with a unit cost of \$10,000.00 or greater;
- iv) All others with a unit cost of \$2000.00 or greater.

Different thresholds may be used for group assets. Capitalize betterments to existing assets when unit costs exceed the threshold.

b. Categories:

A category of assets is a grouping of assets of a similar nature or functions in the Summer Village's operations. The following list of categories shall be used:

- i) Land;
- ii) Buildings;
- iii) Equipment;
- iv) Roads;
- v) Water;
- vi) Sewer;
- vii) Bridges;
- viii) Communication networks;
- ix) Motor vehicles;
- x) Furniture and fixtures;
- xi) Computer systems (hardware and software)

c. Valuation:

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.

i) 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 discounts or rebates.

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

When two or more assets are acquired for a single purpose 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 reasonable basis if fair value is not readily determinable.

ii) Acquired, Constructed or Developed Assets:

Cost includes all cost 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.

iii) Capitalization of Interest Costs:

Borrowing costs incurred by acquisition, construction and production assets that take 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. If only minor modifications are outstanding, this indicated that substantially all of the activities are complete.

iv) Donated or Contributed Assets:

The cost of donated or contributed assets that meet the criteria for recognition is equal to the fair value at the date of construction or contribution. Fair value may be determined using market or appraisal values. Cost may be determined by an estimate of replacement cost. Ancillary costs should be capitalized.

d. Amortization:

The cost, less any residual value, of a tangible capital asset with a limited life should be amortized over its useful life in a rational and systematic manner appropriate to its nature and use. The amortization method and estimate of

useful life of the remaining unamortized portion should be reviewed on a regular basis and revised when appropriateness of the change can be clearly demonstrated.

Useful life normally the shorter of the asset's physical, technological, commercial or legal life.

Generally, the Summer Village uses a straight-line method for calculating the annual amortization. A comprehensive list of estimated useful lives of assets and amortization rates will be attached. See Schedule "A"

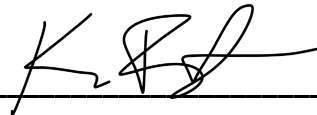
e. Disposal:

When tangible capital assets are taken out of service, destroyed or replaced due to obsolescence, scrapping or dismantling the asset registers and accounting records recording a loss or gain on disposal will be adjusted.

APPROVED BY COUNCIL ON: April 22, 2025



Mayor



Chief Administrative Officer

SCHEDULE A

The following table shows classes, capitalization thresholds, amortization method and useful life to be used:

Major Asset Class	Minor Asset Class	Capitalization Threshold	Amortization Method	Useful Life	Review Schedule
Land		All land will be recorded	N/A	N/A	N/A
Land Improvements	Playground Structures Boat Launch	\$2,000	Straight Line	15 years 25 years	Every 3 years
Buildings		\$2,000	Straight Line	25 years	Every 5 years
Engineered Structures	Roadway System Main Road Base Main Road Surface Hot Mix Cold ix Trails Foot Bridges Stairs & Platforms Fences Speed Bumps Road Signs	\$5,000 Group Group	Straight Line	20 years 20 years 10 years 20 years 20 years 15 years 5 years 20 years	Every 5 years
	Storm System		Straight Line	10 years	Every 5 years
	Wastewater System		Straight Line	35 years	Every 5 years
Machinery & Equipment	Office Furniture Office Equipment Computer Systems Hardware Software Printers Machinery Buoys	\$2,000 Group	Straight Line	20 years 5 years 5 years 5 years 5 years 10 years 5 years	Every 3 years
Vehicles		\$2,000	Straight Line		Every 3 years
Cultural & Historical		N/A	N/A	N/A	N/A