



Township of Melancthon

**PSAB 3150 Tangible Capital Assets
Valuation Report**

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Prepared for:

Township of Melancthon

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1.0 Introduction

R.J. Burnside & Associates Limited (Burnside) was retained to assist the Township of Melancthon with the collection, compilation and valuation of Township Tangible Capital Assets (TCA). The following report provides background information requested by the Township Auditor with regard to the Province of Ontario requiring municipal governments to modify their methods of accounting for TCA beginning January 1, 2009. The new approach utilizes Generally Accepted Accounting Principles, similar to private sector accounting for TCA, and follows the Public Sector Accounting Board (PSAB) document entitled PS 3150 - Tangible Capital Assets.

The statements for the 2009 accounting year will require comparable figures for 2008, even though the new methodology does not become effective until 2009.

This report and the associated data files present the data required to proceed with the TCA deflation and depreciation calculations and document the methodologies used for future reference and audit purposes.

2.0 Inventory Collection

The TCA inventory for the Township of Melancthon was undertaken by the following with the following responsibilities:

1. Denise Holmes Township, CAO (Project Coordinator)
2. Wendy Atkinson Township, Administrative Assistant (Township Financial and Administrative Building)
3. Allen Braiden Township, Roads Superintendent (Public Works)
4. Arunas Kalinauskas R. J. Burnside & Associates Limited (Roads Needs Study, TCA Inventory, and TCA Valuation calculation)

The above people may have had support staff assist in the data collection, however it was reviewed and/or under the supervision of those listed above.

The initial step to comply with the new PSAB requirements was undertaken by the Township with creating a PSAB 3150 Policy that provides a definition for Township TCA. We understand that the Township had many discussions with neighbouring municipalities and asked questions of the Township's Auditor to ensure that everything being done followed proper process and results in simple but accurate audits. Please see Appendix A for a copy of the Township PSAB 3150 Policy.

The TCA inventory was loaded into the Burnside Asset Data Model (ADM), which is an ESRI Inc. geographic information system (GIS) spatial database called a geodatabase.

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This data model is integrated into the Burnside Asset Manager (BAM) software solution. The structure of the data model was designed to include all municipal assets along with a corresponding Asset Code. The asset code was developed to ensure that both PSAB and FIR reporting was possible from ADM and BAM. A portion of the Asset Codes used is provided in Appendix B.

The process of collecting the TCA inventory included the development of a data capture strategy and completing an analysis of this data as:

- Where the TCA was located
- What data was available about the TCA
- Was there Historic cost information
- If there was no Historic cost, identify who was to obtain the replacement cost of the TCA (e.g. If roads equipment, the Township staff would provide an estimated replacement cost – either price quote or estimate provided from base knowledge; if administrative office equipment or furnishings, RS Means replacement reference book was used)
- Where Installation / In Service date was not available, individuals were identified who may have better historic knowledge. Some TCA's required estimates, which have been noted in the asset inventory.

Township staff were provided with spreadsheets to assist them in collecting data on TCA's, to help ensure that all required information was obtained as efficiently and effectively as possible.

R. J. Burnside & Associates Limited (Burnside) staff discussed the TCA data collection process with Township staff to ensure that the collection process reflected the PSAB 3150 policies adopted by the Township. Throughout the data collection process Burnside identified data gaps or information that was missing.

Burnside was hired by the Township to complete a simplified Roads Needs Study. The data from this study was used to populate the major Township TCA which are its Roads. As identified in the Township PSAB 3150 Policy, Roads were defined as the following:

- Road Base
- Road Surface
 - Gravel
 - Surface Treatment
 - Pavement
 - Asphalt – Rural and Semi Urban
 - Asphalt - Urban

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The Roads Study produced the following data for the PSAB 3150 TCA inventory:

- Historic Cost – where available
- Replacement Cost – using cost information provided by Township Roads Superintendent and Burnside engineers
- Installation / In Service Date – where available
- Installation / In Service Date Estimate – where true date was not available (information from surrounding developments)
- Useful Life – from standard engineering Ministry of Transportation and Good Roads Manuals
- Condition Index – Based on methodology developed by the Ministry of Transportation.

The Township of Melancthon had a bridge inspection study completed in 2006, by K. Smart Associates Limited, of Kitchener, Ontario. The following bridge asset data was extracted from this report:

- Historic Cost – where available
- Replacement Cost
- Installation / In Service Date – where available
- Installation / In Service Date Estimate – where true date was not available
- Useful Life
- Condition Index – Based on report values

Township buildings were identified and broken down into the following components where available:

- Building Shell
- Building Roof
- HVAC
- Interior

All other TCA's were identified from Township staff review of all Township assets. The Township pulled from their files where available invoices for TCA's and TCA betterments. These capital improvements and other TCA additions were identified and added to the TCA Inventory. Each department was informed of the Township PSAB 3150 Policy and then requested to fill in the provided spreadsheet tables.

The TCA inventory recorded in the Burnside Asset Data Model as well as the exported Excel spreadsheets is a complete and accurate account of all TCA's of the Township, as provided by Township staff with the assistance of Burnside.

3.0 Historical Cost Valuation Examples

The examples below show how asset historical cost was estimated if the true historical cost was not available. Also sample calculations of amortization and accumulated amortization and the net book value are provided based on the following:

- Historical cost was estimated by using deflating factors and process as defined in "Historical Cost Indices for PSAB 3150 Purposes" by Watson & Associates Economists Ltd. which was written on behalf of MFOA and AMCTO.
- Straight line amortization was used over the asset's useful life.
- Useful Life was determined considering many factors such as condition, intended use, expected deterioration, material and/or technological improvements available, construction methods, geological factors, as well as prescribed maintenance processes. The Hornings Mills Community Centre was assumed by the Township in 1986, but the building was built in 1938, therefore this asset now has a reduced useful life from the Townships perspective. This asset has an accelerated useful life to reflect the true age and degradation of the facility. All other assets were assumed or constructed for the Township and have representative useful lives as stated in Appendix C.
- Betterments or Capital Improvements, also affect the valuation of TCA. A betterment was defined as a service improvement to a TCA which resulted in an extended useful life. It was also identified as a physical improvement to the asset for better service or capacity.

The examples are not those of Township TCA but only composed to show the methodology used to make the calculations using Burnside Asset Manager (BAM).

3.1 Gravel Rural Road

This example shows the calculations used in the valuation of a gravel road. This process identifies a road base and gravel surface as separate assets. The gravel road was originally constructed (approximated) at the time of incorporation 1853 with very little improvements to the road base since that time. The base in this example is believed to have a useful life of 30 years. The road was last resurfaced with gravel in 2005 and has a useful life of three years.

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Historic Cost				
2006 Replacement Cost for Road Base				\$245,000
2006 Replacement Cost for Road Gravel Surface				\$105,000
				\$350,000
	Year	Factor		
Discount Base to year of construction	1853	0.0069		\$1,970
Discount Surface to year of construction	2005	0.9371		\$98,396
Estimated Historic Cost of Gravel Road including Base				\$100,366
Accumulated Amortization (as at Dec. 31, 2006)				
Road Base useful life of 30 years - therefore the asset is fully amortized				
Gravel Surface useful life 3 years and the year of installation 2005 has no amortization (see PSAB policy) therefore 2006 has 2 years (or 2/3) life remaining				
		2006	2007	2008
Base Accumulated Amortization 30/30 x \$1,970=		\$1,970	\$1,970	\$1,970
Surface accumulated Amortization 1/3 x \$98,396=		\$32,799	\$65,597	\$98,396
Total Accumulated Amortization		\$34,769	\$67,567	\$100,366
Net Book Value				
Base				
Historic Cost		\$1,970	\$1,970	\$1,970
Accumulated Amortization		-\$1,970	-\$1,970	-\$1,970
Net Book Value		\$0	\$0	\$0
Gravel Surface – 2005				
Historic Cost		\$98,396	\$98,396	\$98,396
Accumulated Amortization		-\$32,799	-\$65,597	-\$98,396
Net Book Value		\$65,597	\$32,799	\$0
New Gravel Surface 2008				
Historic Cost				\$120,000
Accumulated Amortization no depreciation in the year of construction				\$0
Net Book Value				\$120,000

Assuming the funding was available through the Township's budget, the gravel resurfacing would have occurred, and provided for the following transactions:

- Removal of historical cost and accumulated amortization of the gravel surface (both figures cancel each other out as they both equal \$98,396).
- New gravel surface would be recorded as TCA.

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- At year end 2008 the amortization of the new asset would be recorded as Zero (see PSAB Policy which states that zero amortization in the first year of a TCA).
- At year end 2009 the amortization of the new asset would be recorded as 1/3 of the historical cost of the new gravel TCA.

3.2 Facility

Capital Improvements to the Building				
HVAC replaced in 1996				
Roof Replaced in 1992				
Historic Cost				
2006 Replacement Cost for total Facility				\$3,500,000
Facility Components				
HVAC				\$50,000
Roof				\$250,000
Structure + other remaining parts as Shell, windows, interior finishings, etc.				\$3,200,000
				\$3,500,000
	Year	Factor		
Discount HVAC to year of construction	1996	0.6604		\$33,020
Discount Roof to year of construction	1992	0.6083		\$152,075
Discount Structure + to year of construction	1968	0.1382		\$442,240
Estimated Historic Cost of Facility				\$627,335
Accumulated Amortization (as at Dec. 31, 2006)	Useful Life		Installation	Life Remaining
HVAC	15		1996	6
Roof	30		1992	17
Structure +	80		1968	43
		2006	2007	2008
HVAC Accumulated Amortization		\$22,013	\$24,215	\$26,416
Roof Accumulated Amortization		\$70,968	\$76,038	\$81,107
Structure + Accumulated Amortization		\$210,064	\$215,592	\$221,120
Total Accumulated Amortization		\$303,046	\$315,844	\$328,643

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Net Book Value		2006	2007	2008
HVAC				
Historic Cost		\$33,020	\$33,020	\$33,020
Accumulated Amortization		<u>-\$22,013</u>	<u>-\$24,215</u>	<u>-\$26,416</u>
Net Book Value		\$11,007	\$8,805	\$6,604
Roof				
Historic Cost		\$152,075	\$152,075	\$152,075
Accumulated Amortization		<u>-\$70,968</u>	<u>-\$76,038</u>	<u>-\$81,107</u>
Net Book Value		\$81,107	\$76,038	\$70,968
Structure +				
Historic Cost		\$442,240	\$442,240	\$442,240
Accumulated Amortization no depreciation in the year of construction		<u>-\$210,064</u>	<u>-\$215,592</u>	<u>-\$221,120</u>
Net Book Value		\$232,176	\$226,648	\$221,120
	New Life			
Net Book Value with Expansion in 2009	Remaining	Original	Expansion	2010 Total
HVAC Betterment adds 5 more years Useful Life	8			
Historic Cost		\$33,020	\$15,000	\$48,020
Accumulated Amortization 2009		<u>-\$28,617</u>		<u>-\$28,617</u>
2010 Amortization of betterment is		<u>-\$550</u>	<u>-\$1,875</u>	<u>-\$2,425</u>
Net Book Value		\$3,852	\$13,125	\$16,977
Roof no change to useful life	14			
Historic Cost		\$152,075	\$52,000	\$204,075
Accumulated Amortization 2009		<u>-\$86,176</u>		<u>-\$86,176</u>
2010 Amortization of betterment is		<u>-\$4,707</u>	<u>-\$3,714</u>	<u>-\$8,421</u>
Net Book Value		\$61,192	\$48,286	\$109,478
Structure + no change to useful life	40			
Historic Cost		\$442,240	\$170,000	\$612,240
Accumulated Amortization 2009		<u>-\$250,603</u>		<u>-\$250,603</u>
2010 Amortization of betterment is		<u>-\$4,791</u>	<u>-\$4,250</u>	<u>-\$9,041</u>
Net Book Value		\$186,846	\$165,750	\$352,596

3.3 Pooled Computers

TCA that are similar in nature having the same useful life but do not meet or exceed the capitalization threshold can be grouped into a tangible capital asset pool. Each pooled TCA are part of the one asset class, and are normally reported by year of purchase. Once an asset becomes part of a TCA Pool it remains in the pool until it is fully amortized.

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Most municipalities will use computers as pooled TCA and therefore become a good example to outline the way they are valued.

Computers purchased through 2002, 2003, 2004, and 2005. Replacement of 2002 computers in 2006								
Ending 2006 Values	Quantity	Historical Cost		Useful Life		Accum. Amort.	Net Book Value	
		Each	Total	Years	Remaining	2006		
2002 purchases	4	\$1,300	\$5,200	4	0	\$5,200	\$0	
2003 purchases	5	\$1,200	\$6,000	4	1	\$4,500	\$1,500	
2004 purchases	4	\$1,100	\$4,400	4	2	\$2,200	\$2,200	
2005 purchases	3	\$1,000	\$3,000	4	3	\$750	\$2,250	
Sub-Total	16		\$18,600			\$12,650	\$5,950	
2006 Additions	4	\$950	\$3,800	4	4	\$0	\$3,800	
2006 Disposals	-4	-\$1,300	-\$5,200			-\$5,200		
Ending 2006 Balances	16		\$17,200			\$7,450	\$9,750	
Net Book Value Ending 2006							Historic Cost	\$17,200
							Accumulated Amortization	-\$7,450
							Net Book Value	\$9,750
Ending 2007 Values	Quantity	Historical Cost		Useful Life		Accum. Amort.	Net Book Value	
		Each	Total	Years	Remaining	2006		
2003 purchases	5	\$1,200	\$6,000	4	0	\$6,000	\$0	
2004 purchases	4	\$1,100	\$4,400	4	1	\$3,300	\$1,100	
2005 purchases	3	\$1,000	\$3,000	4	2	\$1,500	\$1,500	
2006 purchases	4	\$1,000	\$4,000	4	3	\$1,000	\$3,000	
Sub-Total	16		\$17,400			\$11,800	\$5,600	
2007 Additions	2	\$900	\$1,800	4	4	\$0	\$1,800	
2007 Disposals	-5	-\$1,200	-\$6,000			-\$6,000		
Ending 2006 Balances	13		\$13,200			\$5,800	\$7,400	
Net Book Value Ending 2007							Historic Cost	\$13,200
							Accumulated Amortization	-\$5,800
							Net Book Value	\$7,400

4.0 Replacement Cost Calculation Assumptions

It is important to understand the terms, "reproduction cost" and "replacement cost" as they relate to TCA accounting and replacement cost relative to Capital Budget Planning (CBP). If historical costs are not available for TCA purposes, an estimate is made of the cost to "reproduce" an asset with the same materials, size and configuration as currently exists in current (2008) dollars. This is referred to as the reproduction cost.

If the asset cannot be "reproduced" due to changes in materials or technologies a replacement cost is estimated based on similar materials, sizing and configuration. In both cases these estimated costs are then deflated using established deflation factors to provide an estimate of the original cost of construction at the time of construction. The term replacement cost is often used for CBP purposes, but does not have the same meaning as that used for TCA accounting. Replacement cost for CBP refers to the estimated cost to replace an asset using current materials, technologies and standards.

For example, the TCA replacement cost for an existing 150mm watermain would be the cost of a 150mm watermain, while the CBP replacement cost may be the estimated cost for a 300mm watermain that may be required to correct low water pressures or to accommodate future growth. This type of replacement is either a total replacement which includes the disposal/retirement of an asset or a Capital Improvement of an existing asset.

4.1 Roads

Road sections generally extend from intersection to intersection. In cases where the surface type changed between inter sections, two sections were created based on the point where the surface type changed. Road sections were assigned to one of the following four classifications:

- Gravel
- Surface Treatment - Rural and Semi Urban
- Asphalt - Rural and Semi Urban
- Asphalt – Urban

Each road was further subdivided into separate TCA as surface and base. This reflects the substantially different life expectancies for road base and the differing surfaces. It also allows surface replacement to be capitalized.

Remaining life expectancies for both base and surface assets were based on the type of road, local experience and engineering judgment.

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The base and surface construction / installation date was estimated for each road section using local knowledge and historical records. Where this information was not available, the following assumptions were made:

1. Road Bases
 - The year of incorporation, 1853, was used.
2. Gravel Surface
 - Since the useful life of a gravel surface is three years, records of all of these roads were made available from the Road Superintendent.
3. Asphalt or Surface Treatment
 - If there was a recent surface construction year, then the "Expected Base Life" was divided by three applications and subtracted from the "Surface Construction Year". For example, Surface Treatment Base Construction Year = 2004 (Surface Construction Year) – 8 [25 (Expected Base Life) / 3] = 1996. This assumes that this was the second of four surface applications before base improvements are required.
 - If no surface construction year was provided, then the "Expected Base Life" was subtracted from the year 2008. For example, Asphalt Base Construction Year = 2008 – 25 (Expected Surface Life) = 1983. With this assumption, the same year was used for the base and surface construction year.

The remaining life (base and surface) for each road section was estimated using the current road condition rating for each section and relating these to appropriate road deterioration values based on life expectancies. This yielded an estimate of the remaining life (base and surface) of each road section.

Benchmark costs were developed for each of the improved road classifications (gravel, surface treatment, asphalt-rural and asphalt-urban). Cost estimates were then completed and averaged to develop an average benchmark cost per square metre of road allowance for the base classifications and per square metre of surface for each surface classification. These benchmark costs were then used to create an individual reproduction cost estimate for each road section.

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Classification	Base (\$/m ² of ROW)	Surface Thickness (mm)	Surface (\$/linear m)
Gravel	11.92	100	3.69
Surface Treatment/Ditched	18.03	Liquid	3.47
Asphalt/Ditched	16.39	30	10.29
Asphalt/Curbed	60.32	40	21.44

It should be noted that a number of assets are shared with other municipalities (boundary roads). The agreed to practices that the Township of Melancthon and neighbouring municipalities have with respect to roads are as follows:

Township of Clearview

- All Road Capital expenditures are shared equally 50%.

Municipality of Grey Highlands

- Gravel surface - Township of Melancthon provides 100% on the road segments it maintains (e.g. roads plowed in the winter etc.)
- Other Road Capital expenditures are shared equally 50%.

Township of Mulmur

- Gravel surface - Township of Melancthon provides 100% on the road segments it maintains (e.g. roads plowed in the winter etc.)
- Other Road Capital expenditures are shared equally 50%.

Town of Shelburne

- All Road Capital expenditures are shared equally 50%.

Township of Southgate

- Gravel surface - Township of Melancthon provides 100% on the road segments it maintains (e.g. roads plowed in the winter, etc.)
- Other Road Capital expenditures are shared equally 50%.

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5.0 Summary

The above has identified the process used to create the Township TCA inventory as well as the assumptions used to calculate some of the replacement costs. Examples were presented to identify with the methods and theory used in valuation calculations that produce the Net Book Values of Township TCA. Burnside Asset Manager provides the complete Township TCA inventory and Net Book Value calculations, which can be viewed and reviewed. The Auditors will be provided with spreadsheets that have been exported out of Asset Manager. Two summary Export Reports are provided in Appendix D and Appendix E.

It is important to note that all the data related to the Township TCA that are found in Burnside Asset Manager belong in their entirety to the Township. The Township has licensed rights to using the Burnside Asset Manager, however Burnside retains ownership of the Asset Manager software.



Appendix A
Township PSAB 3150 Policy

TOWNSHIP OF MELANCTHON CAPITAL ASSET POLICIES 2008

Purpose:

1. to achieve the consistent recording of tangible capital assets (TCA)
2. to help with the preparation of annual financial statements which conform to the PSAB 3150 accounting principles for TCA
3. to ensure all reporting requirements related to TCA are met

Scope

It will apply to all departments of the Township of Melancthon and all consolidated organizations.

Authorization and Responsibility

PSAB 3150 mandates the need to have a TCA Policy.

The Township has also signed its Federal Gas Tax Agreement in which includes a commitment by the Township to abide by the PSAB 3150 accounting rules by 2009.

The CAO/Clerk Treasurer shall develop the TCA Policy and ensure it is followed, will prepare an implementation plan, and submit budgets in 2008 for the necessary funding of the TCA project to Council for approval as part of the regular budget process.

All future policy amendments will be developed by the CAO/Clerk Treasurer.

This TCA policy shall be reviewed and endorsed by the Township Auditor.

Council will be kept informed of the status of the TCA project and the TCA policy through periodic reports from the CAO/Clerk Treasurer.

Implementation Plan

The TCA project will be completed by the end of 2008.

Major tasks that are involved in the completion of the project are:

1. delegation to department heads to perform inventory counts
2. attending training sessions sponsored by external organizations
3. build an asset register of documentation to support the existence and valuation of all assets to be set up as TCA
4. finalize the TCA policy, including accounting policy decisions and auditor review
5. transfer of asset inventory data from spreadsheets to TCA software application, set up all new GL accounts as needed

6. valuation of assets in the inventory, assigning useful life estimates, preliminary amortization calculations
7. revisit accounting policy decisions for specific assets and make changes where needed
8. re-working of the adopted 2008 budget under PSAB rules
9. present re-stated 2008 budget, PSAB compliant, to Council for information
10. develop 2009 budget using PSAB rules on the regular budget timetable
11. process accounting transactions and make all financial reports to Council under PSAB 3150 accounting standards
12. maintain the new TCA records and update them for future additions, disposals, write-downs, useful life revisions, amortization method changes, etc.

Asset Definition and Classification

TCA, per PSAB 3150.02 are defined to be non-financial assets of the Township that:

- a) 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
- b) have useful economic lives extending beyond an accounting period
- c) are to be used on a continuing basis, and
- d) are not for sale in the ordinary course of operations

All TCA's will be classified within one of these major categories:

- 1) Land
- 2) Land Improvements (includes amortizable improvements to land such as parking lots, fences, pathways, etc.)
- 3) Buildings
- 4) Vehicles
- 5) Equipment and Machinery
- 6) Roads
- 7) Engineered Structures
- 8) I.T.Systems
- 9) Furniture and Fixtures

Various minor categories, or sub classes of TCA will exist within each major category. The number of sub-classes will depend on the estimated useful lives of each sub-class.

Recording and Valuing Assets

Capitalization Threshold

The capitalization threshold shall be \$2,500 for every TCA set up in the Asset Register.

Donated/Downloaded Assets

Assets that were acquired by donation or by downloading will be valued using fair market value at date of contribution if available. If not, value will be based on discounted replacement cost and set-up at that value, as long as it exceeds the threshold amount.

Shared Assets

For assets that are shared with neighbouring Townships/County, e.g. boundary roads and bridges, agreements with those municipalities will be made in writing covering:

- 1) which municipality takes ownership for PSAB record-keeping purposes
- 2) any cost-sharing between the municipality and Melancthon Township for any major upgrades to that asset

Where an asset is not treated as owned by Melancthon Township, the Township's Cost share for any major upgrades will be treated as a grant paid by Melancthon Township to the Township/County claiming ownership, and the grant will be an operating expense of Melancthon Township.

Betterments vs Maintenance

Betterments occur when physical output or service capacity is increased, when useful life is extended, and when quality of output is improved.

Betterments are to be treated as a Capital Asset addition for the TCA to which they relate, and shall be recorded as a separate asset with its own useful life.

Betterments may in fact be a replacement of an asset (such as a new roof) and so the old asset will be written-off as disposed, and the betterment set up as a new asset.

Pooling

TCA's will be pooled when they are numerous enough that, when taken collectively, their value exceeds the Pooling Threshold of \$5,000. Exceptions are made, however, in some cases, where it has been decided the value of amortizing is not worth the time to set up those assets, and therefore the

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accepts that these assets will continue to be expensed in full in the year of purchase

(as they were pre-PSAB). Examples of pooled assets would be:

- : Desks, tables and chairs (within each building)
- : Computers and laptops
- : Printers
- : Small tools (within each building)
- : Street lights
- : Culverts
- : Signage

When additional items are bought, accounting treatment will be to set up the bulk purchase as a new, single pooled asset (e.g. 5 tables are bought in 2010 to replace some already in use). A disposal will be recorded against the old pooled asset, in proportion to the number of units replaced versus the number of units in that pooled asset.

Network or Linear System Assets

For those assets in the Township that are in the form of a network or a linear system (i.e. roads, water systems) the choices for recording assets are:

- : Network approach (counting the entire system as a single asset)
- : Component approach (counting the major components of the asset as a single asset)
- : Segment approach (this approach separates linear assets into segments and sets each segment up as an asset)

The Township will use all three methods, as follows:

- : The network approach will be used for computer cabling, IT networks and land-under-roads
- : The component approach will be used for all buildings, roads and engineered structures (e.g. bridges and water systems)
- : The segment approach will be used for roads which will first split into three components, and then slit into segments by road section

The network approach will not be used very often, because it does not lend itself to future asset management due to the fact that entire networks or systems are rarely completely replaced. The component and segmented method will be used most often as this breakdown will allow for better asset management and long-range financial and maintenance planning.

Components

The following tangible capital assets will be set up as multiple components,

and not as a single asset:

- : Buildings will be set up as 3 components : HVAC systems, roof, and structure
- : Roads will be set up as 3 components: surface, base and land
- : Bridges will set up as 2 components: super-structure and deck

Segments

All road assets, after separation into three components, will be segmented into specific sections, and each section of the surface and base components (but not the land) will be set up as a single TCA. The start and end point of each segment will be defined in the TCA record, as will the length of the segment. The land component of the entire roads network will be set up as a single TCA record.

Constructed Assets

Tangible capital assets such as roads and bridges, which are newly constructed, will be treated as Work-in-Progress, and reflected in the financial statements as a separate category of TCA, with zero amortization, whenever they remain incomplete as at year end. Whenever the asset begins to be used which is not necessarily when the asset is completed, it will be set up as one or more TCA under the applicable rules and amortization will be for a half-year in the year that the asset is set up.

Element of Cost

Any single TCA's cost will, per PSAB, include the purchase price as well as:

- : Installation costs
- : Design, engineering and architectural fees and staff costs
- : Legal fees
- : Survey and site preparation costs
- : Freight, transportation insurance, and duties
- : Carrying charges/interest in the case where borrowing is done to finance a project, but only during the period up to the time that the asset is recorded as a TCA. Interest paid after capitalization will be treated as

an

operating budget expense.

Valuation

All TCA's will be valued at Historical Cost if the asset has been purchased within the past five years i.e. 2003 onwards. Historical cost will be used for assets purchased before 2003 if that cost is readily available.

Where historical cost is not available, one of the following costs will apply:

- : Current replacement value, discounted back to the year of acquisition
- : Current appraised value for buildings, discounted back to the year of acquisition, including betterments discounted back to their year of addition, treated as separate assets
- : For donated, contributed, or downloaded assets, current replacement value discounted back to the year of acquisition

If the year of acquisition cannot be determined then an approximate will be used. If the asset identified is of an extreme age then the year that the Township was incorporated will be deemed to be the year of acquisition.

Cost is determined without regard to the sources of financing that were used to obtain the asset e.g. long term financing or use of reserves.

Discounting calculations will be based on the MFOA deflator spreadsheet recently prepared by C.N. Watson and made available by MFOA and AMCTO. This one index will be applied to all tangible capital assets. Evidence of the discount calculation made, upon initial set-up of the asset, will be maintained in the Asset Register records.

Amortization

All TCA's, excluding land, will be amortized using the *straight-line method*. This method is preferred for its simplicity and ease-of-use.

Amortization entries shall be posted by the applicable Staff to the General Ledger on a monthly basis, so that it may be presented to Melancthon Council on a timely basis.

The useful life of each sub-class of a TCA will be set based on consultation with department staff, and review of estimates used in other municipalities. Unless there is a significant difference in the type of sub-class, only one useful life estimate will be used to every TCA in that sub-class. e.g. if one building has a steel roof and another building has a shingle roof, then their useful life estimates may be different.

Residual values will not be estimated or used by Melancthon Township. When an asset is sold or traded, the proceeds will be compared to the remaining Net Book Value (NBV),

and the disposal will be recorded, the asset's NBV shall be written-off, and a gain or loss on sale recognized.

Write-downs will be done after annual reviews of useful life estimates, as per PSAB s.3150.29. The CAO/Clerk Treasurer is responsible to conduct annual reviews with every department head of their TCA near year-end. Every TCA of the department will be included in the review.

When a write-down is required (see PSAB 3150.31-37), a journal entry to record the additional amortization required, per the review decision, and before year-end, will be posted immediately following the review, and before year-end, so that the NBV at the year-end matches the decision made jointly at the review by the CAO/Clerk Treasurer and Department Head.

A record of all annual reviews, and a written authorization for any write-downs, will be kept in the TCA files within the accounting department, as evidence, for auditing purposes.

Asset Register/Records

The accounting department is responsible for maintaining the TCA records.

There shall be electronic asset records kept within the financial system, using the software that is presently being used (i.e. Keystone). Staff will also maintain an Asset Register, in the accounting department, consisting of hard-copy files of external documents, photographs, bylaws, legal documents and any other evidence available to support the existence, valuation and ownership of all the TCA recorded in the electronic TCA software records.

Staff shall ensure the two sets of TCA records (electronic and hard-copy) are current, accurate and complete. Staff shall maintain a log of Asset Changes, for any TCA improvements, additions, write-downs, and disposals, for purpose of a review of external auditors, for responses to FOI requests, for Provincial Ministry reviews, and for reports to Council. The log shall be reviewed by the CAO/Clerk Treasurer on a regular basis, and signed-off as evidence of the review.

TCA purchases shall be identified by staff at the point of entry into the financial system, and staff shall be responsible to post the purchase to an asset record (new or existing), update the Asset Register with any documents available, and enter the purchase into the Asset Changes log.

The General Ledger shall contain an Amortization Expense account within each major Department section. The General Ledger shall contain one Capital Asset account and one

Accumulated Amortization account within the Balance Sheet section of the Chart of Accounts, for every major category of TCA. Staff shall be responsible for all postings to These General Ledger accounts and the regular reconciling of these Balance Sheet accounts and the regular reconciling of these Balance Sheet accounts to the subledger details of specific TCA.

Financial Reporting and Budgets

Policies yet to be developed are necessary to address the following aspects of financial reporting:

1. the format to be used by staff for reporting TCA data
2. the recipients of TCA reports, namely Members of Council, senior staff, auditor etc.
3. the frequency of TCA reports (likely to vary depending on the recipient)
4. the Provincial requirements for TCA reporting, such as within the Financial Information Return or the Municipal Performance Measurements, and the assignment of staff responsibility to provide this reporting.
5. the impact that TCA and amortization has on the Township's annual budget

It is expected that further training sessions and materials will be made available in 2008 From MFOA to provide answers to the future Financial reporting under PSAB.



Appendix B
Asset Codes

Tangible Capital Asset Database Fields Ver2

Note: Only those codes that apply to the Town of Mono will appear in the town's database.

Monday, November 05, 2007

Field Name	Data type	Allow nulls	Default value	Domain	Prec-ision	Scale	Length
AssetID	Long Integer	Yes			0		
Class1	String	Yes		Class1			2
Class2	String	Yes		Class2			2
Class3	String	Yes		Class3			2
Class4	String	Yes		Class4			2
Class5	String	Yes		Class5			3
Class6	String	Yes	000	Class6			3
CapAssetCode	String	Yes					15
HistoricCost	Double	Yes			0	0	
DeprecValue	Double	Yes			0	0	
AnnualAmortized	Double	Yes			0	0	
NetBookValue	Double	Yes			0	0	
CapitalImprove	Double	Yes			0	0	
UsefulLife	Short Integer	Yes			0		
Disposals	Double	Yes			0	0	
ReplacementCost	Double	Yes			0	0	
LastAmorCalcDate	Short Integer	Yes			0		
LastCapImprovDate	Short Integer	Yes			0		
TimeStamp	Date	Yes			0	0	8
AssetNote1	String	Yes					255
AssetNote2	String	Yes					255
OBJECTID	Object ID						

Description	Valid Class 1 Codes
Field type	String
Split policy	Default value
Merge policy	Default value
01	Equipment & Rolling Stock
02	Land
03	Land Improvements
04	Facilities
05	Infrastructure

Description	Valid Class 2 Codes
Field type	String
Split policy	Default value
Merge policy	Default value
01	General Government
02	Protection Services
03	Transportation Services
04	Environmental Services
05	Health Services
06	Recreation & Culture
07	Planning & Development

Description	Valid Class 3 Codes
Field type	String
Split policy	Default value
Merge policy	Default value
01	Governance
02	Administration
03	Fire
04	Protective & Inspection Control
05	Roadways
06	Water Control
07	Streetslighting
08	Waterworks
09	Waste Disposal
10	Recycling
11	Camelotix
12	Parks
13	Recreation
14	Libraries
15	Planning & Zoning
00	Does Not Apply
16	Agriculture & Reforestation
17	Community Center

Description	Valid Class 4 Codes
Field type	String
Split policy	Default value
Merge policy	Default value
01	Rolling Stock
02	Equipment
03	Facility Related
04	Non-Facility Related
05	Treatment
06	Storage
07	Local Road
08	Collector Road
09	Arterial Road
10	Structures
11	Sidewalks
12	Construction In Progress
13	Other
14	Streetslighting
15	Traffic Signals
16	Signs
17	Distribution
18	Treatment
19	Storms
20	Sanitary
21	Source

Description	Valid Class 5 Codes
Field type	String
Split policy	Default value
Merge policy	Default value
001	Gravel
002	Surface Treated
003	Bridges
004	Culverts
005	Traffic Signs
006	Street Signs
009	Hydrant
013	Well
014	Substructure
015	Shell
016	Superstructure
017	Interior
018	Services
019	Special Construction
020	Exterior Enclosure
021	Roofing
022	Does Not Apply
023	Other Shell
024	Paint
024	Sealing
025	Boards
028	Special Equipment
027	Pool
028	Large
028	Medium
030	Small
031	Facility Related
032	Non-Facility Related
033	Barrier
034	Catch Basin
035	Clean Out
038	Connection
037	Control Valve
038	Discharge Point
039	Filling
040	Gravity Main
041	Lateral
042	Manhole
043	Meter
044	Network Structure
045	Pressurized Main
046	Pump
047	System Valve
048	Curb Stop
049	Hydrant
050	Sampling Station
051	Casing
052	Underground Enclosure
053	Discharge Structure
054	Thrust Protection
055	Water Structure
056	Casing
057	Anode

Description	Valid Class 6 Codes
Field type	String
Split policy	Default value
Merge policy	Default value
017	Catch Basin
037	Double Catch Basin
003	Ditch Inlet CatchBasin
038	Double Manhole CatchBasin
084	Manhole Catch Basin
002	Air Control
004	Altitude
006	Atmospheric Vacuum
007	Backflow Control
029	CV Combination
038	Double Check
080	Pressure Vacuum
087	Reduced Pressure Backflow
092	RPZ
099	Simple Check
117	Vacuum Breaker
118	Vacuum Release
027	CurbStop
012	Buttfit
023	Cone
045	Cone
078	Plug
008	Ball
047	Generic
103	Steel Apron Inlet
071	Outlet w/ Headwall
072	Outlet w/o Headwall
069	Other
009	Bend
014	Cap
024	Coupling
025	Cross
042	Expansion Joint
067	Offset
088	Reducer
090	Riser
093	Saddle
100	Sieve
198	Tap
107	Tea
125	Weld
126	Wye
048	Grate
018	Collector
026	Culvert
053	Inflow Storage
055	Interceptor
057	Inverted Siphon
068	OpenChannel
070	Outlet
074	Overflow
112	Tunnel
105	Subdrain
045	Gabion Lined Ditch
063	Low Flow Channel
101	Sodded Ditch
073	Outlet Ditching
069	AlpRap Ditch Protection
020	Combination
021	Commercial
038	Domestic
052	Industrial
022	Discharge Structure
034	Diverson Chamber
035	Diverson Point
060	Junction Chamber
062	LR Station
062	Production Well
084	Pump Station
102	Split Manhole
104	Storage Basin
108	Tide Chamber
031	Detention Pond
050	Headwall
044	Force
075	Pipe Bridge
079	Pressure
116	Vacuum
068	Meter Box
121	Valve Vault
122	Vault
005	Anchor
010	Blocking
030	Deadman
081	Kicker
001	Access Tunnel
018	Caisson
022	Conduit Bridge
083	Protective Tunnel
041	Enclosed Storage Facility
111	Treatment Plant
028	CV Air Release
011	BlowOff
048	Generic/Unknown
077	Plug & Block
068	Siamase Connection
115	V Bend
015	Carrier
110	Transport Pipe
043	Fire
051	Hydrant Laterals
058	Infiltration
123	Water Chamber
056	Service Box
114	Underground Reservoir
124	Water Tower
013	Bypass
018	Chemical Injection
033	Distribution Main
000	Does Not Apply
081	Process
065	Mechanical
040	Electrical
054	Instrumentation
056	Interconnect
085	Raw Water Main
094	Sampling Station
109	Transmission Main
059	Jet
088	Reciprocating
081	Rotary
113	Turbine
076	Position Indicator Valve
097	Shut Off
119	Valve & Box
120	Valve & Chamber



Appendix C
Useful Life

UsefulLife_AppendixC

5/13/2010

Asset Type	Asset Sub-Type	Asset Sub-Type Description	Useful Life
Land			
<i>Municipal Land</i>	2901004	Municipal Lands	does not apply
Land Improvements			
<i>Parks & Recreation</i>	2801024	Hornings Mills Picnic Shelter	50
	2801015	Hornings Mills Playground	10
Buildings			
<i>Administration</i>	2801005	Township Administration Office	100
<i>Public Works</i>	2801022	Public Works Garage	100
	2801023	Sand/Salt Storage Building	75
<i>Parks & Recreation</i>	2801017	Hornings Mills Community Centre	30
<i>Building Components</i>	3001007	Roof	20
	3001035	HVAC	15
	2030001	Water Well	30
	7001000	Well Pump	25
Vehicles			
<i>Public Works Vehicles</i>	5001000	Light Duty Vehicle	8
	5001002	Heavy Equipment	20
	5001003	Lawn Mower	10
	5001008	Snow Plow/Dump Truck	11
Equipment & Machinery			
<i>Equipment</i>	6001018	Admiral Refridgerator	20
	6001018	Canon AP390 Typewriter	25
	6001018	Danby Microwave	5
	6001018	Grandfather Clock	50
	6001018	Powershred Paper Shredder	5
	6001018	Water Depot	10
Roads			
<i>Road Surface</i>	1908011	Gravel	3
	1908011	Surface Treated	10
	1908011	Rural Asphalt	25
	1908011	Urban Asphalt	30
<i>Road Base</i>	1908016	Gravel Base	30
	1908016	Surface Treated Base	25
	1908016	Rural Asphalt Base	60
	1908016	Urban Asphalt Base	75
Engineered Structures			
<i>Bridges/Culverts</i>	1902036	Culvert	50
	1902036	Bridge	75
I.T. Systems			
<i>I.T. Hardware</i>	4001001	Calculators	6
	4001001	Computers	5
	4001001	Multi Function Printer	10
	4001001	Desktop Printer	20
	4001003	Phone System	15
	4001003	Radio System	30
	8001003	Battery Backup	5
<i>I.T. Software</i>	4001002	Accounting System	5
Furniture & Fixtures			
<i>Administration</i>	3001015	Allsteel Fireproof Safe	75
	3001028	John Wood Hot Water Heater	20
	3001043	Security Camera	10
	3001043	Security System	20
	3001045	Co-mingle Landfill Bin	25
	3001046	Broan Central Vac System	20
	3001049	Administration Desks (x3)	30
	3001049	Bookshelf	30
	3001049	Councillor Chairs (x18)	20
	3001049	Councillor Desks (x3)	50
	3001049	Storage Cabinet	50
	3001050	Delagates Desk	30
	3001050	Gallery Chairs (x40)	30
	3001050	Filing Cabinets	50
	3001050	Printer Cart	20
	3001050	Tables (x2)	50
	3001050	Workstation Chairs (x6)	15
<i>Parks & Recreation</i>	3001045	Appliances	15
	3001000	Bathroom Fixtures	20
	3001050	Interior Chair	25
	3001050	Interior Tables	25
	3001048	Musical Instruments	50
	3001048	Other Fixtures	20
	3001048	Place Settings	20
3001048	Serving Dishes	20	



Appendix D
FIR Summary Report



Township of Melancthon
All Tangible Capital Assets
As at December 31, 2008

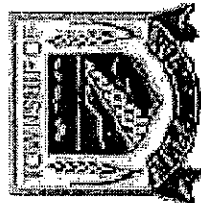
Asset Type	2008 Opening	2008 Additions and	Disposals	Write	2008 Closing	2008 Opening	Annual	Amortization	2008 Closing	2008 Closing	Construction In
	Balance	Bestorments		Downs	Balance	Amortization	Amortization	Disposal	Amortization	Net Book	Progress
										Value	
General Government											
General	875,418.16	32,064.59	0.00	0.00	907,482.75	196,659.67	10,183.85	0.00	146,843.52	760,639.23	0.00
TOTALS:	875,418.16	32,064.59	0.00	0.00	907,482.75	196,659.67	10,183.85	0.00	146,843.52	760,639.23	0.00
Transportation Services											
Roads - Paved	6,135,365.41	257,643.00	0.00	0.00	6,393,008.41	3,180,069.37	173,596.65	0.00	3,353,576.02	3,029,433.39	0.00
Roads - Unpaved	451,654.01	159,463.16	0.00	0.00	611,117.17	198,873.57	122,280.72	0.00	321,154.26	289,902.88	0.00
Roads - Bridges and Culverts	4,038,078.42	828,580.00	0.00	0.00	4,866,658.42	1,571,195.38	65,833.52	0.00	1,635,828.90	3,229,830.52	0.00
Other	1,715,703.06	48,532.28	0.00	0.00	1,764,235.32	695,076.40	97,956.36	0.00	782,087.76	972,147.51	0.00
TOTALS:	12,340,802.90	1,294,218.42	0.00	0.00	13,635,021.32	5,655,167.72	488,478.25	0.00	6,113,646.57	7,521,404.30	0.00
Recreation & Culture											
Parks	6,712.45	0.00	0.00	0.00	6,712.45	2,018.30	420.65	0.00	2,445.95	4,266.50	0.00
Rec. Fac. - All Other	37,398.38	0.00	0.00	0.00	37,398.38	26,177.48	1,246.54	0.00	37,424.02	9,972.36	0.00
TOTALS:	44,108.83	0.00	0.00	0.00	44,108.83	28,195.76	1,673.19	0.00	29,869.97	14,238.86	0.00
TOTALS:	13,260,350.69	1,328,283.01	0.00	0.00	14,588,633.69	5,823,024.17	470,395.29	0.00	6,230,360.46	8,296,282.39	0.00



BURNSIDE

Appendix E

Financial Asset Summary Report



11-May-2010 17:11:42

Township of Melancthon
 Summary - All Tangible Capital Assets
 As at December 31, 2008

Asset Type	2008 Opening	Additions and Betterments	Disposals	Write Downs	2008 Closing Balance	2008 Opening Amortization	Annual Amortization	Amortization Disposal	2008 Closing Amortization	2008 Closing Net Book Value	Construction In Progress
Equipment	48,621.91	29,562.47	0.00	0.00	78,184.38	41,207.45	2,726.35	0.00	43,933.80	34,250.53	0.00
Facilities	502,568.36	51,034.38	0.00	0.00	553,602.74	201,590.11	12,624.39	0.00	214,214.50	339,388.24	0.00
Land	573,306.61	0.00	0.00	0.00	573,306.61	0.00	0.00	0.00	0.00	573,306.61	0.00
Land Improvements	23,547.18	0.00	0.00	0.00	23,547.18	11,671.06	763.35	0.00	12,434.41	11,112.77	0.00
Transportation Infrastructure	10,625,128.84	1,245,686.16	0.00	0.00	11,870,815.00	4,960,138.32	361,420.89	0.00	5,321,559.21	6,549,256.79	0.00
Vehicles	1,487,185.99	0.00	0.00	0.00	1,487,185.99	605,417.23	92,801.31	0.00	698,218.54	788,967.45	0.00
TOTALS:	13,260,359.89	1,326,263.01	0.00	0.00	14,586,642.90	5,620,024.17	470,336.29	0.00	6,290,360.46	8,296,282.39	0.00