

## THE CORPORATION OF THE CITY OF WINDSOR POLICY

|                  |                                       |                 |                                    |
|------------------|---------------------------------------|-----------------|------------------------------------|
| Primary Owner:   | <b>Finance – Financial Accounting</b> | Policy No.:     | <b>TBD</b>                         |
| Secondary Owner: | <b>n/a</b>                            | Approval Date:  | <b>Nov 5, 2018</b>                 |
|                  |                                       | Approved By:    | <b>CR587/2018</b>                  |
| Subject:         | <b>TANGIBLE CAPITAL ASSETS</b>        | Effective Date: | <b>Immediate</b>                   |
|                  | <b>POLICY – CITY WIDE</b>             | Procedure Ref.: | Multiple (See Section 7)           |
| Review Date:     | <b>Nov 2023</b>                       | <i>Pages:7</i>  | Date: Nov 5, 2018                  |
| Prepared By:     | A. Varsa – Finance                    |                 | Replaces: Jan 10, 2011 (CR10/2011) |

### 1. POLICY

**1.1.** The Corporation of the City of Windsor will employ necessary and appropriate controls for the recording and reporting requirements of Tangible Capital Assets (TCAs) compliant with generally accepted accounting principles as outlined in the Public Sector Accounting Board (PSAB) PS-3150 standard (compliance required by legislation).

### 2. PURPOSE

**2.1.** This policy will facilitate PSAB PS-3150 compliance in establishing criteria for:

**2.1.1.** The accounting functions of acquisitions (including donations), disposals, betterments, write-downs and transfers of TCAs.

**2.1.2.** The valuation, recording and reporting of TCAs.

**2.1.3.** The monitoring of compliance to PSAB PS-3150 and other related corporate policies and procedures.

### 3. DEFINITIONS

**3.1.** See attached Schedule “A”

### 4. SCOPE

**4.1.** This policy applies to all City of Windsor departments, Agencies, Boards and Commissions (ABCs) funded by the City of Windsor, in whole or part, or whose governing body contains City of Windsor representation AND whose financial transactions are accounted for within the City of Windsor’s financial systems.

**4.2.** Exclusion:

**4.2.1.** ABC’s that produce their own audited financial statements.

### 5. RESPONSIBILITY

**5.1.** The **Mayor and Council** are responsible to:

**5.1.1.** Ensure, through administration, that policies and procedures are in place to provide for the recording and reporting of all City of Windsor TCAs.

- 5.2. The Corporate Leadership Team Members** or designate are responsible to:
- 5.2.1.** Ensure that their respective Executive Directors, and/or direct reports, comply with this policy and all related TCA procedures that facilitate the recording and reporting of TCAs.
- 5.3. The Chief Financial Officer/City Treasurer** or designate is responsible for/to:
- 5.3.1.** Compliance with PSAB PS-3150 reporting requirements for TCAs.
  - 5.3.2.** Providing an acceptable accounting structure that supports the recording of TCAs.
  - 5.3.3.** Providing communication, training and on-going support on the use of this Policy and related procedures.
  - 5.3.4.** Direct the review of this Policy and attached schedules at a minimum every five (5) years, or sooner if required, and recommend updates as necessary in consultation with the City’s external auditors.
- 5.4. The Executive Directors** or designates are responsible for:
- 5.4.1.** The on-going recording of TCA activity (acquisitions, disposals, betterments, write-downs etc.) in accordance with established TCA procedures, **AND**
    - 5.4.1.1.** The reporting of TCA activity to the Financial Administrator-Capital Assets, **AND**
    - 5.4.1.2.** Signing an annual Year-End Asset Activity Schedule, as prepared by Finance, as declaration for the accuracy and completeness of departmental TCA activity as support for the annual external audit.
- 5.5. ABC’s CEO/CAO** or designates are responsible for:
- 5.5.1.** The on-going recording of TCA activity (acquisitions, disposals, betterments, write-downs etc.) in accordance with established TCA procedures, **AND**
    - 5.5.1.1.** The reporting of TCA activity to the Financial Administrator – Capital Assets, **AND**
    - 5.5.1.2.** Signing an annual Year-End Asset Activity Schedule, as prepared by Finance, as declaration for the accuracy and completeness of departmental TCA activity as support for the annual external audit.
- 5.6. The Financial Administrator – Capital Assets** is responsible for:
- 5.6.1.** Assessing reported TCA activity data for completeness, accuracy and audit-ability.
  - 5.6.2.** Maintenance of the Financial Reporting TCA sub-ledger including but not limited to: importation of TCA activity, data integrity verifications, review of the appropriateness of asset categories, asset thresholds, useful life, **AND** adjusting entries as required.
  - 5.6.3.** Annual review of capital fund expenditures to ensure the proper capitalization of completed projects, identification and categorization of work in progress, and operating expenses.
  - 5.6.4.** Annual Year-End Asset Activity Schedule preparation.
  - 5.6.5.** Preparation, custody and maintenance of a TCA activity file to support all required audits.

**5.7. The Financial Planning Administrators** are responsible to:

**5.7.1.** Assist departments and ABCs in the adherence to this Policy and related TCA accounting in accordance with applicable procedures.

**5.7.2.** Assist departments and ABCs in identifying TCA activity such as acquisitions, disposals, betterments write-downs, and the reporting of these activities to the Financial Administrator – Capital Assets.

**5.7.3.** Assist departments and ABCs in conducting year-end TCA activity reviews.

## **6. GOVERNING RULES AND REGULATIONS**

**6.1. Asset Category** – TCAs will be recorded by appropriate category into the Finance TCA sub-ledger. Assets considered “pooled” will be recorded into specific accounts and/or chart-fields as stipulated in pooled asset procedures. **Schedule “B”** attached provides the listing of TCA categories.

**6.2. TCA Thresholds** – Minimum thresholds for each asset category will be utilized to determine whether or not to include an asset into the Finance TCA sub-ledger. Pooled assets will be recorded as stipulated in pooled asset procedures. **Schedule “B”** attached provides the listing of TCA thresholds.

**6.3. Amortization & Useful Life** – TCAs will be assigned an appropriate amortization method and useful life for recording and reporting purposes in the Finance TCA sub-ledger. Strategies employed to assign useful lives to assets include, but are not limited to: engineering estimates, historical precedent of longevity of similar assets, design estimates.

**6.4. Acquisitions** will be administered in accordance with Purchasing By-Law 93-2012 and amendments thereto, and Donations Policy CS.A1.07 and will be recorded including all costs associated with making the asset operational, in the calendar year purchased/donated. The one-half (½) year rule will be applied for recording purposes.

**6.5. Disposals of TCAs** will be administered in accordance with Purchasing By-Law 93-2012 and amendments thereto, Part XIII – Disposal of Surplus and Obsolete Goods. All revenue must be recorded to general ledger account 6955 within the appropriate department.

**6.6. Betterments** – A betterment must significantly improve one of the following: physical output or service capacity, lower operating cost, useful life or quality of output. All reported betterments will be evaluated through a case-by-case consultative process.

**6.7. Write Downs** – Normal wear and tear does not constitute a write-down and is considered normal amortization. All reported write-downs will be evaluated based on a case-by-case consultative process.

**6.8. TCA Capital Leases** – All reported capital leases will be evaluated based on a case-by-case consultative process and in accordance with Public Sector Guideline PSG-2, Leased Tangible Capital Assets.

**6.9. Heritage/Cultural Assets** - Assets such as works of art and historical treasures are not subject to capitalization and amortization since it is not possible to make a reasonable estimate of the future benefits of such property. However, existence of such assets will be disclosed as a note to the financial statements.

## **7. REFERENCES AND RELATED DOCUMENTS**

- 7.1.** TCA Terms & Definitions – Schedule A
- 7.2.** TCA Categories and Thresholds – Schedule B
- 7.3.** TCA Acquisition Procedure TCA-B1-11
- 7.4.** TCA Disposal Procedure TCA-B2-11
- 7.5.** TCA Betterment Procedure TCA-B3-11
- 7.6.** TCA Write-Down Procedure TCA.B4-11
- 7.7.** TCA Year End Asset Activity Schedule Review Procedure – TCA-B5-11
- 7.8.** Purchasing By-Law 93-2012 and Amendments Thereto
- 7.9.** Donations Policy CS.A1.07
- 7.10.** Section PS-3150 – Tangible Capital Assets (*Public Sector Accounting Handbook*)
- 7.11.** Section PSG-2 – Leased Tangible Capital Assets (*Public Sector Accounting Handbook*)

### TANGIBLE CAPITAL ASSETS Terms and Definitions

1. **Amortization** is the accounting process of allocating the cost less the residual value of a tangible capital asset to operating periods as an expense over its useful life in a rational and systematic manner appropriate to its nature and use.
2. **Betterment** is a cost incurred to enhance the service potential of a tangible capital asset. Betterments increase service potential (and may or may not increase the remaining useful life of the tangible capital asset). Such expenditures would be added to the tangible capital asset's cost.
3. **Cost of TCA** is the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset, and includes all costs attributable to the asset's acquisition, construction, development or betterment, including installing the asset at the location and in the condition necessary for its intended use. Included in the cost of TCA are:
  - a. Temporary financing incurred during the construction of an asset.
  - b. Costs of internal staff seconded to a project which results in a TCA where their regular duties are backfilled.
  - c. Development charges and permits.
  - d. Costs of internal staff whose primary duties are to provide services relating to capital projects (for example, engineering services). Costs of staff who are assigned to participate in projects as part of their normal range of duties and who are not specifically seconded and backfilled would not be included in cost of TCA (for example, technology or finance staff who are not backfilled). These overhead type costs are only included in the cost of a capital project in the event that external funding of the project allows for their recovery; they will be recorded in a separate general ledger account and excluded from the cost of TCA.
  - e. All non-recoverable taxes.

The cost of a contributed tangible capital asset, including a tangible capital asset in lieu of a developer charge, is considered to be equal to its fair value at the date of contribution. Capital grants would not be netted against the cost of the related tangible capital asset. The cost of a leased tangible capital asset is determined in accordance with Public Sector Guideline PSG-2 Leased Tangible Capital Assets.

4. **Disposal** is the processes involved in the removal of the TCA from use and from the TCA sub-ledger subsequent to: **donation, sale, abandonment, or destruction.**
5. **Fair value** is defined in accounting standards as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction who are under no compulsion to act.
6. **Linear Assets** are assets constructed or arranged in a continuous and connected network. Roads and sewers are examples of linear assets.

7. **Pooled assets** are homogenous in terms of their physical characteristics, use and expected useful life. Pooled assets are amortized using a composite amortization rate based on the average useful life of the different assets in a group.
8. **Straight-line amortization** allocates the cost less estimated residual value of a capital asset equally over each year of its estimated useful life.
9. **Tangible capital assets** are non-financial assets having physical substance 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.
  - d. Are not for sale in the ordinary course of operations.
10. **Useful life** is the estimate of either the period over which a local government expects to use a tangible capital asset, or the number of production or similar units that it can obtain from the tangible capital asset. The life of a tangible capital asset may extend beyond its useful life. The life of a tangible capital asset, other than land, is finite, and is normally the shortest of the physical, technological, commercial and legal life.
11. **Write-down** is a reduction in the cost of a tangible capital asset to reflect the decline in the asset's value due to a permanent impairment.
12. **Work in Progress (WIP)** is the accumulation of costs for TCA that are in construction or development in progress but are not yet in use or the capital project is still open to accumulate costs.

**TANGIBLE CAPITAL ASSETS**

| CATEGORIES  | THRESHOLDS  |
|---|---|
| Land  | All land included that is not for sale  |
| Land Improvements   | \$50,000  |
| Buildings & Improvements  | \$100,000   |
| Leasehold Improvements  | \$100,000   |
| Machinery & Equipment   | \$10,000  |
| Vehicles  | \$10,000  |
| Linear Assets (ex. Roads & Sewers)  | Include all   |
| Computer Software   | \$200,000   |
| Pooled Assets <ul style="list-style-type: none"> <li>• Furniture &amp; Fixtures</li> <li>• Electronic Parking Meters</li> <li>• Parking Meter Housing</li> <li>• Pay and Display Parking Units</li> <li>• Road Signs</li> <li>• Self-Contained Breathing Apparatus (SCBA)</li> <li>• Fare Boxes</li> <li>• Golf Carts</li> <li>• Medical Lifts</li> <li>• Computers and Servers</li> <li>• Telephone Systems</li> </ul> | \$200,000 (opening balance threshold, all subsequent purchases added to 'pool') |

**Note:**

Thresholds will be reviewed annually, or as necessary, to ensure values are appropriately reflecting inflationary considerations and cost factors associated with data collection and maintenance. Any instance of deviation from the application of these thresholds will be vetted with senior Finance staff.