



# POLICY

## TANGIBLE CAPITAL ASSET ACCOUNTING

<b>Policy Type:</b>	Administration	<b>Effective Date:</b>	2008-09-15
<b>Department:</b>	Corporate Services	<b>Approval Level:</b>	Council
<b>Division:</b>	Financial Reporting and Accounting	<b>Policy #:</b>	0009
<b>Section/Facility:</b>	Asset Management	<b>Revision #:</b>	N/A

### 1.0 PURPOSE

- 1.1 The purpose of this policy is to ensure compliance with sections 294.1 of the Municipal Act, 2001 and 3150 of the Public Sector Accounting Board Handbook that require the City to account for and report tangible capital asset as assets on City financial statements.
- 1.2 Recording capital assets allows the City to get a better understanding of the value and cost of using such assets, which enables better planning and decision-making regarding capital asset acquisition, management, and disposal.

### 2.0 APPLICATION

- 2.1 This policy applies to all individuals responsible for managing tangible capital assets on behalf of the City, or for financial reporting on the use of such assets. This includes all reporting entities for which the City must account in the City's consolidated financial statements.
- 2.2 Tangible capital assets include non-financial, physical assets that meet a pre-determined tangible asset threshold and that are used in the course of City business, on a continuing basis, over more than one accounting period, and generally are not for resale. (Refer to Section 3.0 for the official Public Sector Accounting Board definition for Tangible Capital Assets)
  - .1 Examples include: roads, bridges, buildings, vehicles, equipment, land, storm and sanitary sewer systems, furniture and fixtures, computer hardware and software etc.



# POLICY

## TANGIBLE CAPITAL ASSET ACCOUNTING

### 2.0 APPLICATION

- 2.3** Tangible capital asset accounting consists of developing a detailed inventory of all capital assets, determining asset value through established valuation methodology, and determining appropriate amortization amounts for each asset. (Refer to Section 5.0 for related procedures)
- 2.4** Tangible capital asset accounting involves decision-making on what constitutes a tangible capital asset, how to categorize assets, whether to divide or group assets, setting appropriate asset thresholds, determining asset life, and how to deal with improvements, repairs, carrying and interest costs, gifted assets, disposals, write downs etc. (Refer to Section 5.0 for related procedures)
- 2.5** Tangible capital assets do not include works of art or historical collections.

### 3.0 DEFINITIONS/ACRONYMS (As Required)

**Amortization** - The accounting process of allocating the cost of a tangible capital asset, less any residual value, to operating periods as an expense over the useful life of the asset. This is also referred to as depreciation accounting, as it demonstrates the value of an asset declining over the life of the asset as its useful life is depleted.

**City** - The financial reporting entity of the Corporation of the City of Peterborough as described under the PSAB Handbook.

**Depreciation** - The expense in an accounting period arising from the application of depreciation accounting (or amortization).

**PSAB** - The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. PSAB has the authority to set accounting standards for the local government sector in Ontario by virtue of Section 294.1 of the Municipal Act, 2001.

**Reporting Entity** - All entities that must be accounted for on the City's consolidated financial statements, as described in the PSAB Handbook, which includes not only the entities through which the City directly provides its services, but also the separate funds, agencies and enterprises the City controls.



# POLICY

## TANGIBLE CAPITAL ASSET ACCOUNTING

### 3.0 DEFINITIONS/ACRONYMS (As Required)

**Tangible Capital Asset** - As defined in the PSAB Handbook, 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 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 resale in the ordinary course of operations.

### 4.0 POLICY STATEMENT(S)

- 4.1 The financial reporting of tangible capital assets will comply with the Public Sector Accounting Board Handbook Section 3150 for the recording, valuation, amortization, and inventorying of tangible capital assets, in accordance with the Municipal Act, 2001.



# POLICY

## TANGIBLE CAPITAL ASSET ACCOUNTING

### 5.0 APPENDIX, RELATED POLICIES, PROCEDURES & LINKS

**5.1 Pertinent Resources**

Municipal Act, 2001

[http://www.e-laws.gov.on.ca/html/statutes/english/elaws\\_statutes\\_01m25\\_e.htm](http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_01m25_e.htm)

Public Sector Accounting Handbook, Section 3150

Audit Committee Report CPFRAS08-012 Update on the Asset Management Project

[http://www.peterborough.ca/City\\_Hall/City\\_Council/2008-08-11\\_-\\_Audit\\_Committee.htm?ViewMode=View&DateTime=633540726000000000&PageMode=View](http://www.peterborough.ca/City_Hall/City_Council/2008-08-11_-_Audit_Committee.htm?ViewMode=View&DateTime=633540726000000000&PageMode=View)

City Council Minutes of the City Council Meeting of September 15, 2008

[http://www.peterborough.ca/City\\_Hall/City\\_Council/2008-09-15\\_-\\_City\\_Council.htm?ViewMode=View&DateTime=633571002000000000&PageMode=View](http://www.peterborough.ca/City_Hall/City_Council/2008-09-15_-_City_Council.htm?ViewMode=View&DateTime=633571002000000000&PageMode=View)

Audit Committee Report FAFS 06-025 PSAB Tangible Capital Asset Mandatory Reporting Requirements and Asset Management Program

[http://www.peterborough.ca/City\\_Hall/City\\_Council/2006-10-16\\_Audit\\_Committee.htm?ViewMode=View&DateTime=632966112000000000&PageMode=View](http://www.peterborough.ca/City_Hall/City_Council/2006-10-16_Audit_Committee.htm?ViewMode=View&DateTime=632966112000000000&PageMode=View)

City Council Minutes of the City Council Meeting of October 23, 2006

[http://www.peterborough.ca/City\\_Hall/City\\_Council/2006-10-23\\_City\\_Council.htm?ViewMode=View&DateTime=632972250000000000&PageMode=View](http://www.peterborough.ca/City_Hall/City_Council/2006-10-23_City_Council.htm?ViewMode=View&DateTime=632972250000000000&PageMode=View)

**5.2 Related Policies**

N/A

**5.3 Related Procedures**

Procedure #1, Inventory Management (under development)

Procedure #2, Asset Valuation and Amortization (under development)

Procedure #3, Asset Acquisition, Transfer, and Disposal (under development)

Procedure #4, Financial Reporting of Tangible Capital Assets (under development)

**5.4 Related Forms**

N/A

**5.5 Miscellaneous**

Guide to Accounting for and Reporting Tangible Capital Assets

Prepared by the Public Sector Accounting Group of the Canadian Institute of Chartered Accountants (CICA)

**6.0 AMENDMENTS/  
REVIEWS**

<b>Next Review Date</b>	<b>2010-09-15</b>
-------------------------	-------------------

Date (yyyy-mm-dd)	Section(s) Amended	Comments
----------------------	--------------------	----------

2006-10-16	N/A	Audit Committee Report FAFS 06-025
------------	-----	------------------------------------



# POLICY

## TANGIBLE CAPITAL ASSET ACCOUNTING

2006-10-23

N/A

Audit Committee Report FAFS 06-025 approved by Council

2008-09-15

See notes under Comments

Council Report (Audit Committee Report CPFRAS08-012 Update on the Asset Management Project)

Amends and replaces Section a) of Report FAFS 06-025 that references tangible capital assets recording for the 2009 fiscal year

Section a) of Report FAFS 06-025 that references Council's endorsement of an Asset Management program stands until a separate Asset Management policy document is created