



Policy Title: **Tangible Capital Asset Policy**

Policy Number: **A09-POLICY-0034**

Policy Type: Council Policy
Policy Owner (Department, Contact): Financial Services, Accounting
Approval Authority: Council

Administration			
Effective Date:	2024-05-15	Last Review Date:	2024-05-15
Related Policy(ies):	A09-POLICY-0034		
Related By-Law(s):	N/A		
Procedural Document:	A09-PROCEDURE-0034		

1. Policy Statement

The City of Quinte West is committed to maintaining accounting records that conform to the accounting standards and recommendations as provided by the Canadian Institute of Chartered Accountants Public Sector Accounting Board through the Public Sector Accounting Standards (PSAS).

2. Purpose

All Canadian local governments are required to account for all "tangible capital assets" using historical cost valuation and amortize these costs over the estimated life of each asset in accordance with PSAS 3150 as approved by the Canadian Institute of Chartered Accountants Public Sector Accounting Standards Board. These policies establish standards on how to account for and report tangible capital assets in the City of Quinte West. PSAB 3150 reporting requirements do not apply to intangible assets, natural resources and Crown lands of the City.

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The purpose of the Tangible Capital Asset Policy is to provide guidance to develop and update procedures that will result in accounting record keeping and maintenance in compliance with the above standard.

3. Scope

The Tangible Capital Asset Policy applies to all tangible capital assets recorded in the audited consolidated financial statements of the City of Quinte West. Where there are discrepancies between this policy and PSAS, PSAS takes precedence.

4. Definitions

- i. **Assets:** economic resources within the control of the City resulting from past transactions or events and from which future economic benefits may be obtained.
- ii. **Asset Retirement Obligation:** is a legal obligation associated with the retirement of a tangible capital asset. The legal obligation is capitalized as a capital asset when all four criteria are met:
 - a. there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
 - b. the past transaction or event giving rise to the liability has occurred;
 - c. it is expected that future economic benefits will be given up; and
 - d. a reasonable estimate of the amount can be made.
- iii. **Amortization:** is the allocation of 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. Amortization is also commonly known as depreciation.
- iv. **Betterment:** is a cost incurred which enhances the service potential of a tangible capital asset. Such expenditures would be included in the tangible capital asset's cost. Service potential is enhanced for a complex and non-complex network tangible capital asset when costs are incurred to:
 - a. extend its useful life;
 - b. increase its service capacity, or previously assessed physical output;
 - c. lower any operating costs associated with the tangible capital assets; or

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- d. improve the quality of the output from the tangible capital asset.

- v. **Capital Work-In-Progress:** is the cost of the City's tangible capital assets under construction, constructed or in an uncompleted process of acquisition and that are not yet in service. Amortization is not applied to Capital Work-In-Progress.

- vi. **Capitalization Threshold:** is the value above which tangible capital assets are capitalized and reported in the financial statements.

- vii. **Contributed (Donated) Assets:** are tangible capital assets received at no or nominal cost. The cost of a contributed tangible capital asset is considered to be equal to its fair value at the date of contribution. Some examples would include a transfer of tangible capital assets from a more senior level of government for no cost; or the receipt of roads, streetlights, and other infrastructure from a developer as part of a subdivision agreement.

- viii. **Equipment:** is defined as an apparatus, tool, device, machine, implement or instrument utilized to facilitate a process, function or completion of a task. Equipment also includes furniture and fixtures. It may be installed within a building, but could be moved and reinstalled at a different location, if required (it is not permanently affixed to or integrated into the building or structure in which it resides).

- ix. **Facilities (buildings):** are defined under Part 1 of the Ontario Building Code as:
 - a. a structure occupying an area greater than ten square meters consisting of a wall, roof and floor or any of them or a structural system serving the function thereof including all plumbing, works, fixtures and service systems appurtenant thereto,
 - b. a structure occupying an area of ten square meters or less that contains plumbing, including the plumbing appurtenant thereto, and
 - c. structures designated in the building code;

- x. **Fair Value:** is 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.

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- xi. **Historical Cost:** is the gross amount of consideration originally given up to acquire, construct, develop or better a tangible capital asset, and includes all costs directly 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. Capital grants or any other consideration would not be netted against the cost of the related tangible capital asset.
- xii. **Infrastructure Assets:** are composed of linear assets and their associated specific components. Some examples would include: Transportation Infrastructure (Roads including cycling lanes, bridges, tunnels, public transit rail line portion only, drainage systems), Utilities (telephone, gas and electrical) and Environmental Infrastructure (water delivery systems, wastewater treatment, storm drainage systems).
- xiii. **Intangible Capital Asset:** is a non-financial asset that has no substance, such as copyrights, trademarks, patents and goodwill. Intangible capital assets are separate and distinct from tangible capital assets.
- xiv. **Land:** is defined as real property in the form of a plot, lot or area. Includes all expenditures made to acquire land and to ready it for use where the improvements are considered permanent in nature and includes purchase price, closing costs, grading, filling, draining and clearing, removal of old buildings (net of salvage), assumption of liens or mortgages, and any additional land improvements that have an indefinite life. Land is valued separately from buildings which may be erected upon it.
- xv. **Land Improvements:** consist of betterments, site preparation and site improvements (other than buildings) that ready land for its intended use, and which generally decay or break down over time (i.e. have a defined useful life).
- xvi. **Linear Assets:** are assets generally constructed or arranged in a continuous and connected network.
- xvii. **Nature (of an asset):** is a description of the type of asset, its characteristics, features and location.
- xviii. **Net Book Value:** of a tangible capital asset is its historical cost, less accumulated amortization and the amount of write-downs, if applicable.

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- xix. **Non-Financial assets:** are defined as: acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead:
 - a. are normally employed to deliver government services;
 - b. may be consumed in the normal course of operations; and
 - c. are not for sale in the normal course of operations.(PS 1000.42)

- xx. **Pooled Tangible Capital Assets:** are homogenous in terms of their physical characteristics, use and expected useful life. Pooled tangible capital assets are amortized using a composite amortization rate based on the average useful life of the different assets in a group.

- xxi. **Replacement Cost:** is the cost of replacing an asset with one that has substantially the same functionality and capacity but has a different physical form or uses the most common current technology.

- xxii. **Reproduction Cost:** is the cost of replacing an asset with a substantially similar one, or the price of replacing an asset in its present physical form and utilizing similar technology to the original asset.

- xxiii. **Residual Value:** is the estimated net realizable value of a tangible capital asset at the end of its useful life to a local government. Also commonly referred to as salvage value.

- xxiv. **Rolling Stock:** is a means of transportation, usually having wheels, for transporting persons or things or designed to be towed behind such an apparatus. Also commonly referred to as vehicles.

- xxv. **Tangible Capital Assets:** 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 used on a continuing basis; and
 - d. are not for resale in the ordinary course of operations. (PS 3150.05)

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- xxvi. **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.
- xxvii. **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.

5. The Policy

The following policies have been developed to provide guidance when developing procedures:

5.1. Inventory Collection, Valuation and Maintenance Policies

Asset Hierarchies - Asset hierarchies (see the attached Appendix A) are to be used in developing and maintaining the inventory listing . The hierarchy shall identify multiple "aggregation levels" which allow the inventory data to be consolidated to assist the City with multiple initiatives (e.g. PSAB Financial Statement Reporting, Financial Information Return Reporting, Budgeting, Financial Planning, and Asset Management).

The asset hierarchies can be categorized into multiple aggregation levels such as:

- **Aggregation Level 1: By Asset Type** - a category of assets that are objectively similar in nature or function in the City's operations. This categorization is required for disclosure purposes on the annual audited financial statements. A summary of asset types include:
 - Land
 - Land improvements
 - Parks
 - Equipment
 - Rolling Stock (Vehicles)
 - Infrastructure - Transportation & Environmental
 - Facilities (Buildings)

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- **Aggregation Level 2: By FIR Category** - aggregation of assets by functional service areas, in which an asset is used, with the annual Financial Information Return (FIR) as a reference for categorization. This categorization is required to complete the City's annual FIR. A summary of FIR categories used by the City include:
 - General Government
 - Protection Services
 - Transportation Services
 - Environmental Services
 - Health Services
 - Social and Family Services
 - Recreation & Cultural Services
 - Planning & Development

- **Aggregation Level 3: By Budget Area** - aggregation of assets by departmental service areas, in which an asset is used, with the annual budget as a reference for categorization. This categorization assists the City with internal reporting and budgeting as well as detailed breakdowns for the annual FIR. Some examples of budget (level 3) areas include (for a complete list, see Appendix A):
 - Corporate Services
 - Fire
 - Public Works
 - Community Services

- **Aggregation Level 4: By Asset Detail** - Description of the specific asset being recorded. This categorization provides for asset management related detail which better inform asset service life and capital planning. Some examples of asset detail include (for a complete list, see Appendix A):
 - Facility Roofing
 - Facility HVAC
 - Road Surface
 - Sidewalks
 - Street Lighting

The hierarchies represent the applicable tangible capital asset groupings and level of asset detail for the City of Quinte West.

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Single Asset vs. Component Approach - Certain complex tangible capital assets consist of a number of significant components. PSAB 3150 provides the option to record complex tangible capital assets as a 'single asset', or to record each major component as a separate asset.

Under the 'single asset' approach, cost includes all components combined, and amortization is based on the average useful life of the entire asset. The replacements of the individual components will be expensed as incurred, unless they qualify as betterments to the single (whole) asset.

The component approach requires that the cost of each component be tracked, and amortization is based on the expected useful life of each of the components. The replacement of the individual components, or a significant part of the component, would be eligible to be capitalized.

The following approaches are proposed for identified component tangible capital assets of the City:

- **Facilities** - General will be accounted for under the following components: Substructure, Shell - Roofing, Shell - Other, Interior, HVAC, Services - Conveying, Services - Other, Special Construction, Process Equipment, Electrical, Instrumentation, Piping, Building and Process Structure, and Architectural.
- **Roads** - will be accounted for by road segment, under the following components: Surface, Base, Surface Treatment and Curb and Gutters. Bridges will be accounted for under the following components: Deck, Wearing and Structure.

5.2. Pooled Tangible Capital Assets

In circumstances where multiple tangible capital assets are similar in nature and there is little or no benefit in segregating out each individual item into separate assets, they may be grouped into pooled tangible capital assets. Common characteristics of pooled tangible capital assets are:

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- Pooled Tangible Capital Assets are assets normally bought or owned in quantity that are treated as one single asset for accounting purposes.
- Pooled Assets may not meet the single asset capitalization threshold individually, however when pooled together exceed the pooled capitalization threshold.
- Assets that will be pooled together will be identical or close to identical in terms of asset type and characteristics.
- The following assets are examples of potentially pooled assets of the City:
 - Computers and Laptops
 - Office furniture (by location)
 - Fire equipment (multiple pooled assets, local service board responsibility)
 - Minor equipment (by location)
 - Signs
 - Hydrants
 - Water Meters
- For accounting purposes, pooled tangible capital assets will be tracked by year of purchase.

5.3. Capitalization Thresholds

Each tangible capital asset type is assigned a capitalization threshold. Capitalization thresholds represent the minimum amounts that capital related costs must exceed before they are considered for capitalization as a tangible capital asset. This threshold will be used to determine if a related cost incurred should be recorded as a tangible capital asset or if the cost is immaterial and should be expensed in operations.

In determining the capitalization thresholds, consideration has been given to:

- weighing the benefits realized versus the costs incurred in collecting and maintaining the tangible capital asset inventory for the various asset types, as some assets may be impractical or prohibitively costly to maintain in the tangible capital asset inventory;

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- ensuring the total value of assets below the thresholds (and therefore not capitalized) is small enough that it will not exceed the external auditor's materiality level; and
- the impact of changes in capitalization levels on future operating budgets and performance measure reporting, which enhances comparability on a year-to-year basis and with other municipalities.

Table 5.3.1 illustrates the capitalization thresholds (by asset type) that have been established for single assets within an asset type.

**Table 5.3.1
Single Asset Capitalization Thresholds**

Asset Type	Capitalization Thresholds
Land	\$0
Land Improvements	\$5,000
Parks	\$5,000
Equipment	\$5,000
Rolling Stock (Vehicles)	\$5,000
Infrastructure	**See Appendix C
Buildings	**See Appendix C

In the case of pooled tangible capital assets (see section 5.2), the individual assets within the pool may fall below the threshold levels shown in Table 5.3.1. However, when the total value of the pool exceeds the capitalization threshold, and it represents a significant investment it should be recorded as part of the tangible capital asset inventory.

Table 5.3.1, then the asset must be maintained as a single asset.

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5.4. Valuation and Measurement

Historical cost valuation of tangible capital assets is required for PSAB 3150 compliance.

Valuation methods used when initially becoming PSAB 3150 compliant will be documented for review by the auditor during their year-end audit procedures. Actual historical cost will be utilized for valuing tangible capital assets purchased, constructed or developed, where the information is readily available and believed to be complete. Actual historical cost data will be collected based on the capitalization thresholds as determined in Appendix A of this policy.

For tangible capital assets where actual historical cost data is not readily available and/or complete, historical cost will be estimated using alternative valuation techniques. For this purpose, reproduction, replacement, or appraised values are to be used and then discounted to an estimated historical cost amount.

The deflating process will require the use of indices and the City of Quinte West will use an appropriate index such as the Bank of Canada Inflation Calculator.

PSAB 3150 states that costs directly associated with preparing a tangible capital asset for its intended use can be included as part of the historical cost of the asset. Some examples of valid costs to be included are as follows:

- Installation and assembly costs (payroll costs of staff directly involved in installation/assembly, contracted services);
- Initial delivery costs (freight, duty, transportation services);
- Site preparation costs (demolition costs, environmental cleanup);
- Initial testing costs to ensure the asset is functioning properly (payroll costs of staff directly involved in testing, contracted services);
- Professional fees (engineering, legal, architect, environmental);
- Internal design and inspection costs (payroll costs of staff while working directly on capital asset design/inspection);
- Capitalized interest (borrowing costs) incurred during the period of time the capital asset is actively being prepared for its intended use.

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5.5. Contributed or Donated Tangible Capital Assets

PSAB 3150 requires municipalities to record contributed (or donated) assets as tangible capital assets. Examples of contributed tangible capital assets include:

- A road constructed by a developer (usually as part of a developer agreement) and contributed to the City; and
- Donated playground equipment.

The contribution/donation could be made up of an entire asset, or a partial payment of an asset.

Contributed tangible capital assets will be recorded as follows:

- as assets of the City;
- the timing of the recording of the contributed tangible capital asset will be at the date when ownership is acquired;
- if a development agreement is involved, ownership will be based on the terms and conditions of the development agreement;
- the cost will be considered to be equal to its fair value at the date of contribution;
- when the asset contribution date differs from the asset purchase, construction or development date by more than one year, the cost of the asset will be discounted using relevant amortization rates in order to determine an accurate value at contribution; and
- when costing data is not available from the contributor, the City will use internal costing data to estimate asset value. This internal costing data will be provided by the respective department involved, and checked by the Finance department.

5.6. Leased Tangible Capital Assets and Leasehold Improvements

Certain leased assets are capital in nature and therefore qualify to be included in the tangible capital asset listing, due to the specifications in the terms of the lease. All leases that meet one of the following conditions must be included in the tangible capital asset inventory in the same manner as owned tangible capital assets:

- the City will own (or will likely own) the leased asset at the end of the term;
- the lease term is most (i.e. over 75%) of the estimated useful life of the leased asset;

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- the current value of lease payments over the term of the lease is substantially all (i.e. over 90%) of the fair value of the leased tangible capital asset; or
- other lease terms suggest that the lease is capital in nature.

The above conditions can also be used to test all current and future leases for capital related qualities.

In lease arrangements where the leased asset does not qualify to be included in the tangible capital asset listing (i.e. operating lease), any modification to the leased asset can be considered a "leasehold improvement" and capitalized for PSAB purposes where each of the following four criteria have been met:

- modifications must have been made to leased assets;
- the City (as lessee) must pay for the improvements with no reimbursement from the lessor;
- the leasehold improvement should meet the definition of a tangible capital asset (as defined within these policies); and
- the modification reverts back to the lessor at the end of the lease (i.e. cannot be separated from the leased property).

Leasehold improvements are amortized over the useful life of the improvement or the lease term (including any renewal option where extension of the lease is expected) whichever is shorter.

Where the leased asset qualifies to be included in the tangible capital asset listing, the modification is classified as a betterment (rather than a leasehold improvement) and capitalized as part of the cost of the capital asset. The betterment is the amortized over the useful life of the asset(s) being improved, unless the useful life of the betterment is significantly shorter than that of the asset.

5.7. Long-Term Development or Construction of Tangible Capital Assets

PSAB 3150 states that the following must be presented in the notes to the City's annual financial statements:

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The net book value of tangible capital assets not being amortized because they are under construction or development or have been removed from service; (PS 3150.42b)

Due to this requirement, the City's asset hierarchy has been established so that this information can be easily extracted from the asset database. "Construction in Progress" accounts have been established to ensure these assets will not be amortized until they are put into service.

As part of the year-end procedures, City staff will generate a list of construction projects in progress that illustrates all activity posted to these accounts. City staff will review the list annually to ensure that once a tangible capital asset is put into service that it is excluded from the work-in-progress listing.

5.8. Tangible Capital Assets of Consolidated Entities

In situations where a Joint Service Board exists (i.e. local service board) and the City has full or partial control or ownership of the Board:

- Tangible capital assets of the Board will be inventoried and maintained by the Board. The results will be shown in the Board's annual financial statements.
- The City, through the year-end audit process, will consolidate its share of the Board's financial statements with the City's activities for the purpose of the City's year-end consolidated financial statements.

5.9. Declaring a Tangible Capital Asset Surplus

If a Tangible Capital Asset goes from being "in use" to being "for sale", it must be classified as an inventory item held for resale (i.e. no longer considered a tangible capital asset). In order for an asset to be reclassified as an inventory item held for resale, all of the following criteria must be met:

- Council has committed to selling the asset;
- The asset is in a condition to be sold;
- The asset is publicly seen to be for sale;
- There is an active market for the asset;
- There is a plan in place for selling the asset; and

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- It is reasonably anticipated that the sale will be completed within one year of the financial reporting date.

The process of declaring an asset surplus and transferring the asset to "inventory held for resale" should only occur (from a PSAB reporting perspective) if the declaration of the asset as surplus occurs in a different fiscal year than the anticipated sale. If the declaration and the sale are anticipated within the same year, then a tangible capital asset disposal can be recorded.

5.10. Capitalized Interest

Interest costs attributable to financing up-front costs of the acquisition, construction, or development of tangible capital assets will be expensed in the operating budget, and not capitalized.

5.11. Nominal Tangible Capital Assets

PSAB 3150.42 requires municipalities to disclose the nature and use of tangible capital assets that have been recorded at nominal amounts. Assets can be recorded at nominal amounts if estimating the historical cost of the assets is very difficult, and the resulting net book value would be immaterial. A list of assets that have been recorded at nominal values will be maintained by the City, to ensure the City will be in a position to disclose the required information each year on the financial statements.

5.12. Works of Art and Historical Treasures

Works of Art and Historical Treasures owned by the City are not to be included in the tangible capital asset listing since a reasonable estimate of the future benefits associated with these items cannot be made. However, the nature of these assets must be disclosed in the notes to the annual financial statements. Some examples of items that fall under this category include:

- Works of art (i.e. in a museum or used as decoration in a City owned building);
- Antiques owned by the City (i.e. antique fire trucks used in parades).

Works of Art and Historical Treasures will be treated as follows:

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- All assets that are considered works of art or historical treasures will not be recorded as tangible capital assets of the City.
- All works of art and historical treasures will be tracked only for financial statement note disclosure purposes on an annual basis. Note disclosure will be based on the nature of the respective assets, not the quantity and value.
- Any future purchases of works of art and/or historical treasures will be expensed to operations at cost.

5.13. Amortization Methods & Rates

PSAB 3150 requires tangible capital assets to be amortized "in a rational and systematic manner appropriate to its nature and use by the government". To meet these requirements, the City will utilize the Straight Line method. One half of the annual amortization is charged in the year of acquisition of a tangible capital asset. For amortization calculation purposes, residual value will be deemed to be \$zero for all tangible capital assets.

**Table 5.13.1
Amortization Calculation Example**

Type	Pattern	Example
Straight Line Amortization	Consistent over asset's useful life	\$10,000 asset with a 10 year life amortization schedule: Year 1 \$500 Years 2-9 \$9,000 Year 10 \$500 \$10,000

5.14. Useful Life Assumptions

The determination of expected useful lives for tangible capital assets requires consideration of several factors, including present condition, intended use, expected deterioration, technological obsolescence, construction type, geological factors, and

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planned maintenance policy. The list of estimated useful lives used (by asset type) in calculating amortization are summarized in Appendix C.

5.15. Betterments

For the cost of Complex Network Systems (i.e. roads, water/sewer systems) and Non-Complex Network System Tangible Capital Assets (i.e. equipment, rolling stock, buildings, land improvements) to be included in the value of a tangible capital asset as a betterment one of the following must be true:

- Increases previous physical output/service capacity of the asset(s);
- Operating costs are lowered;
- Useful of the asset is extended; or
- Quality of output has improved.

Please refer to Appendix A of the related Tangible Capital Asset Procedure for further details.

5.16. Write-Offs / Write-Downs

PSAB 3150.31 states the following:

"When conditions indicate that a tangible capital asset no longer contributes to a government's 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, the cost of the tangible capital asset should be reduced to reflect the decline in the asset's value."

There are many different factors that may lead to one or more of the City's assets having a value that is less than its calculated net book value for PSAB purposes, including the following:

- Unforeseen damage to the asset;
- Expected maintenance plan not adhered to;
- Changes in geological or weather conditions;
- Developments in technology resulting in obsolescence; and
- A change in how the asset is used.

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The write-off/write-down policy for the City of Quinte West is as follows:

- Annually, an evaluation process will be initiated by the Finance department, in conjunction with all departments to identify any tangible capital asset requiring a write-off or write-down.
- During this process the Finance department will provide tangible capital asset listings (showing historical cost, accumulated amortization, and net book value) to each respective department.
- The departments will document (in writing) where write-offs are required to the Finance department, who will assess the need for the write-offs and post the necessary transactions. Proper justification for the write-off must be provided by the respective department.
- All write-offs will be charged to the applicable operating budget area from which the tangible capital asset is used.
- Documentation of this process will be kept in order to satisfy all year-end audit requirements.

5.17. Disposal Policy

Non-pooled tangible capital assets, or a partial component thereof, are disposed of when the original cost can be reasonably estimated and one of the following applies:

- There has been the disposal or sale of a capital asset or a significant partial component thereof, without the replacement of the capital asset.
- There has been the replacement or betterment of a significant component or significant partial component of a capital asset, the replacement of which is capitalized due to the fact that it is over the minimum capitalization threshold and is capital in nature.
- A whole component or asset is replaced.

Pooled tangible capital assets defined in section 5.2 are disposed when the original cost can be reasonably estimated of at the earlier of:

- The year in which the pooled group of assets reaches a net book value of zero.
- When there has been the replacement of a significant amount of pooled assets from a given year or partial component thereof, which ought to be known to relate to the given pool of assets.

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See Appendix B for a detailed example of pooled asset disposition.

The following policies will apply when estimating the original cost and accumulated amortization of a given tangible capital asset, component, or partial component thereof:

- Actual historical cost will be utilized for valuing tangible capital assets disposed or deemed disposed where the information is readily available.
- For tangible capital assets where actual historical cost data is not readily available and/or complete, historical cost will be estimated using alternative valuation techniques. For this purpose, reproduction, replacement, or appraised values are to be used and then discounted to an estimated historical cost amount.
- The deflating process will require the use of indices and the City of Quinte West will use an appropriate index such as the Bank of Canada Inflation Calculator.

5.18. Responsibilities and Authorities

Supervisor of Accounting

Responsibility: The Supervisor of Accounting is responsible for preparing the support for the audited financial statements in accordance with the Tangible Capital Asset Policy and reporting to the Manager of Finance where any conflicts between the PSAS and the policy are identified.

Authority: The Supervisor of Accounting has the authority to collaborate with the auditors and authorize adjustments to records where necessary to ensure that the records and books of the City of Quinte west are maintained in accordance with this policy and PSAS.

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Manager of Finance

Responsibility: The Manager of Finance is responsible for ensuring that the Tangible Capital Asset Policy is adhered to and reviewing and updating the policy as warranted or recommended by the Director of Finance.

Authority: The Manager of Finance has the authority to make amendments to the Tangible Capital Asset Policy and to collaborate with the auditors on any significant changes to policy.

Director of Finance

Responsibility: The Director of Finance is responsible for the overall presentation of the consolidated audited financial statements in accordance with this policy.

Authority: The Director of Finance has the authority to initiate the review of the policy by the Manager of Finance and to make recommendations to the Mayor and Council for policy changes.

Mayor and Council:

Responsibility: The Mayor and Council are responsible for reviewing and making recommendations for review of policy by staff when appropriate.

Authority: The Mayor and Council have the authority to review and approve changes to the policy.

5.19. Legislation and Other Resources

- Public Sector Accounting Standards - PS 3150 - Tangible Capital Assets
- Public Sector Accounting Standards - PS 3280 - Asset Retirement Obligations

Policy Number: A09-POLICY-0034	Effective Date: 2024-05-15
Policy Title: Tangible Capital Asset Policy	Last Review Date: 2024-05-15

5.20. Appendices

[Appendix A - Capital Asset Inventory Hierarchy \(Asset Trees\)](#)

[Appendix B - Example of Deemed Disposition Asset Pooling Methodology](#)

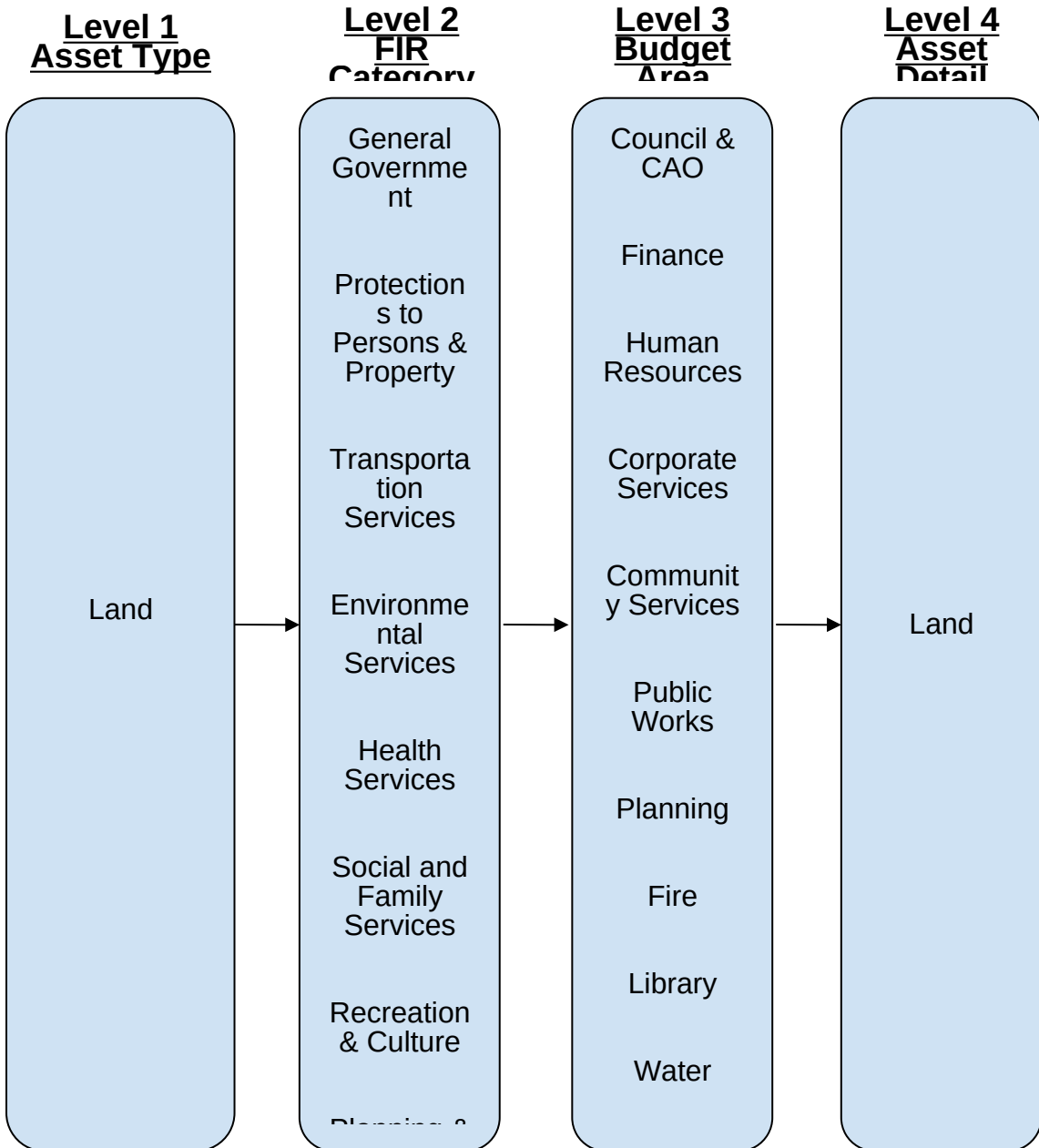
[Appendix C - Estimated Useful Life & Minimum Capitalization Threshold of Tangible Capital Assets](#)

Legislative History	
Date	Description
2009-09-14	Created & Approved Tangible Capital Asset Policy/Procedure
2014-02-28	Amended for Tangible Capital Asset Policy/Procedure
2018-12-31	Amended for Useful Life of Tangible Capital Assets
2023-06-05	Reviewed by Council in Note 1 of 2023 consolidated Financial Statements
2024-05-06	Amended for Asset Disposal and ARO Created A09-POLICY-0034 from previous Policy/Procedure Sent to Audit & Risk Advisory Committee for recommendation to Council
2024-05-15	Enacted Policy presented to Council - Staff Report QW-2024-00083 Adopted under Motion No. 24-270

Appendix A
Capital Asset Inventory Hierarchy
(Asset Trees)

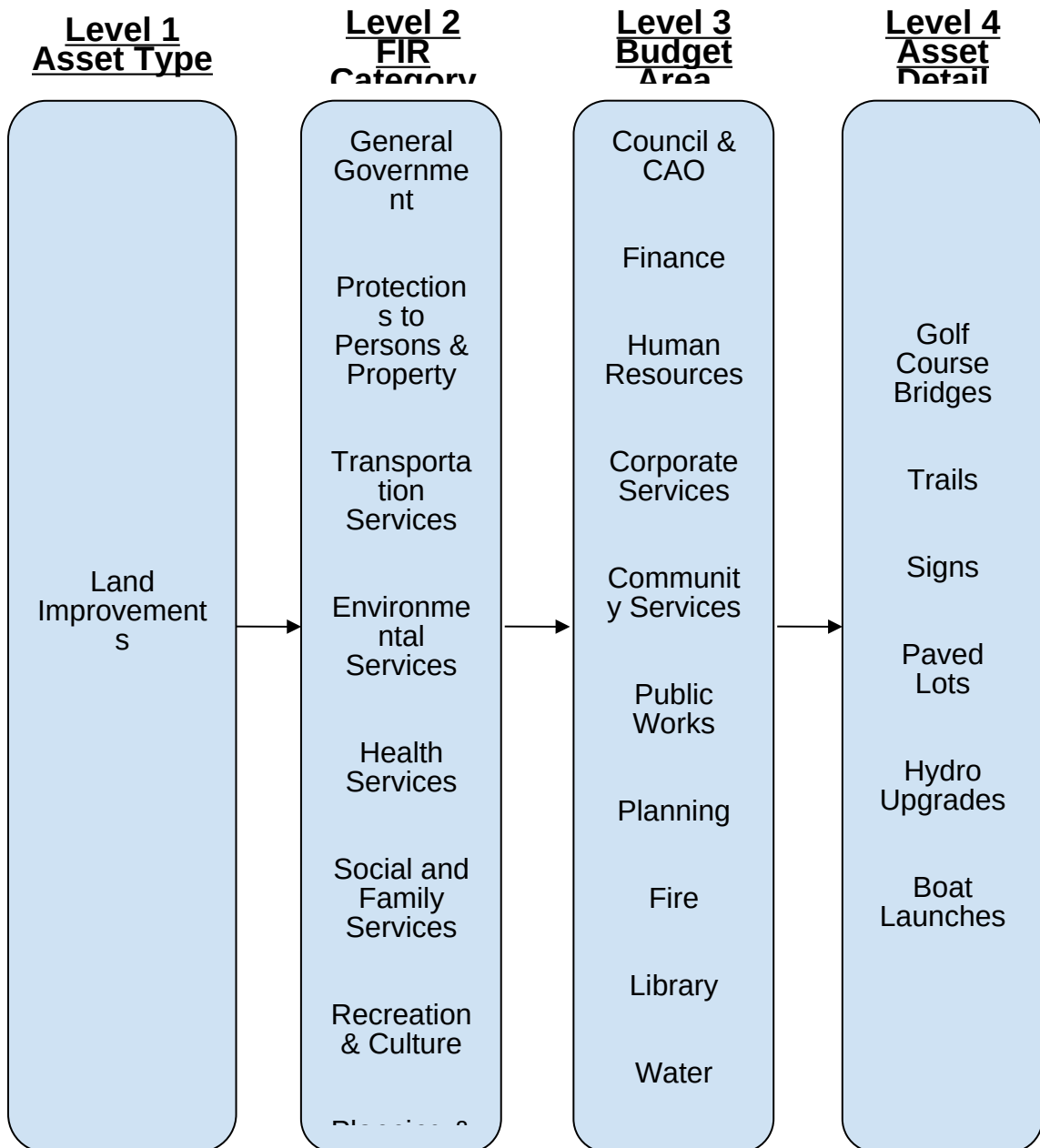
The City of Quinte West

Land Asset Tree



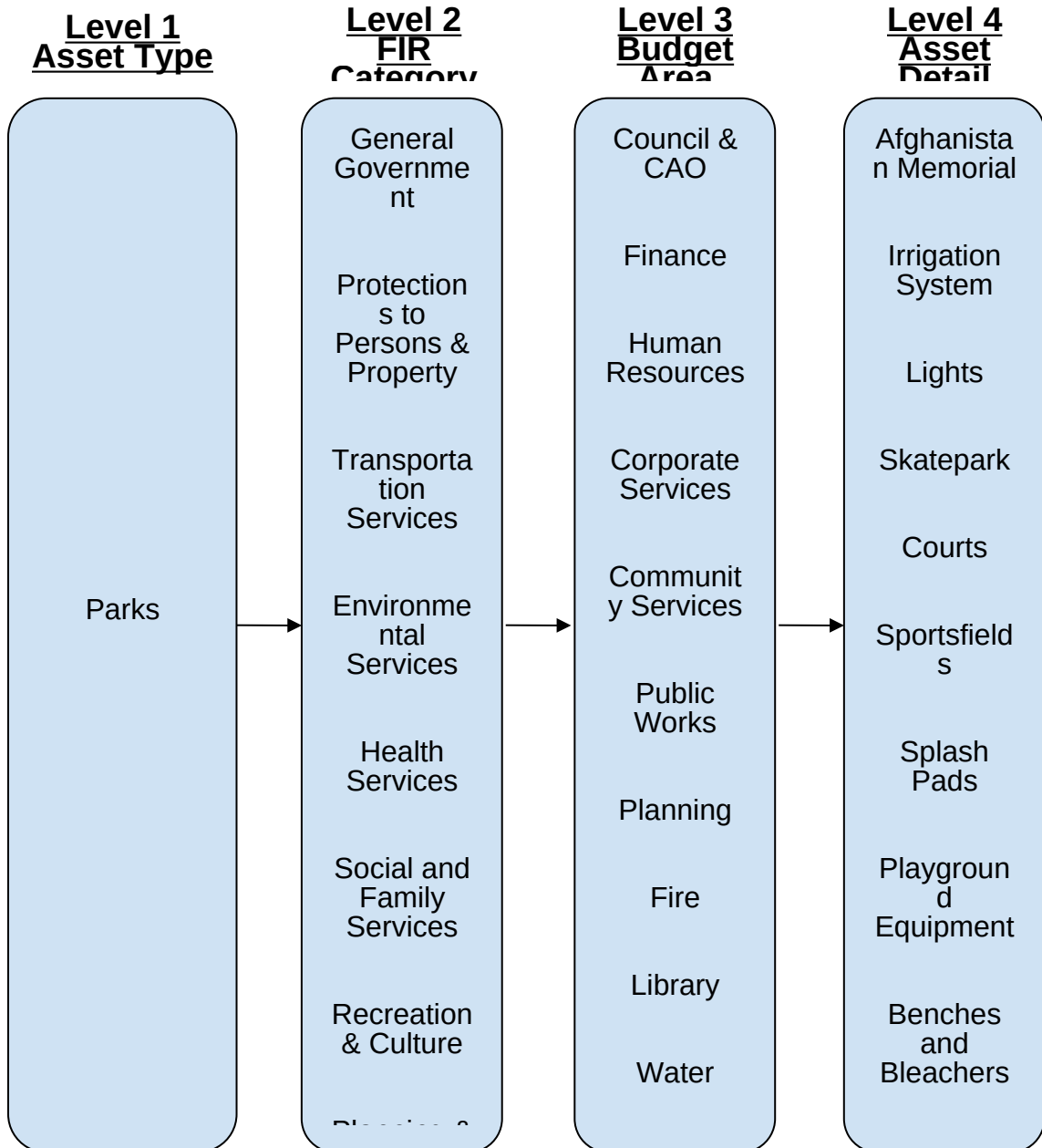
The City of Quinte West

Land Improvements Asset Tree



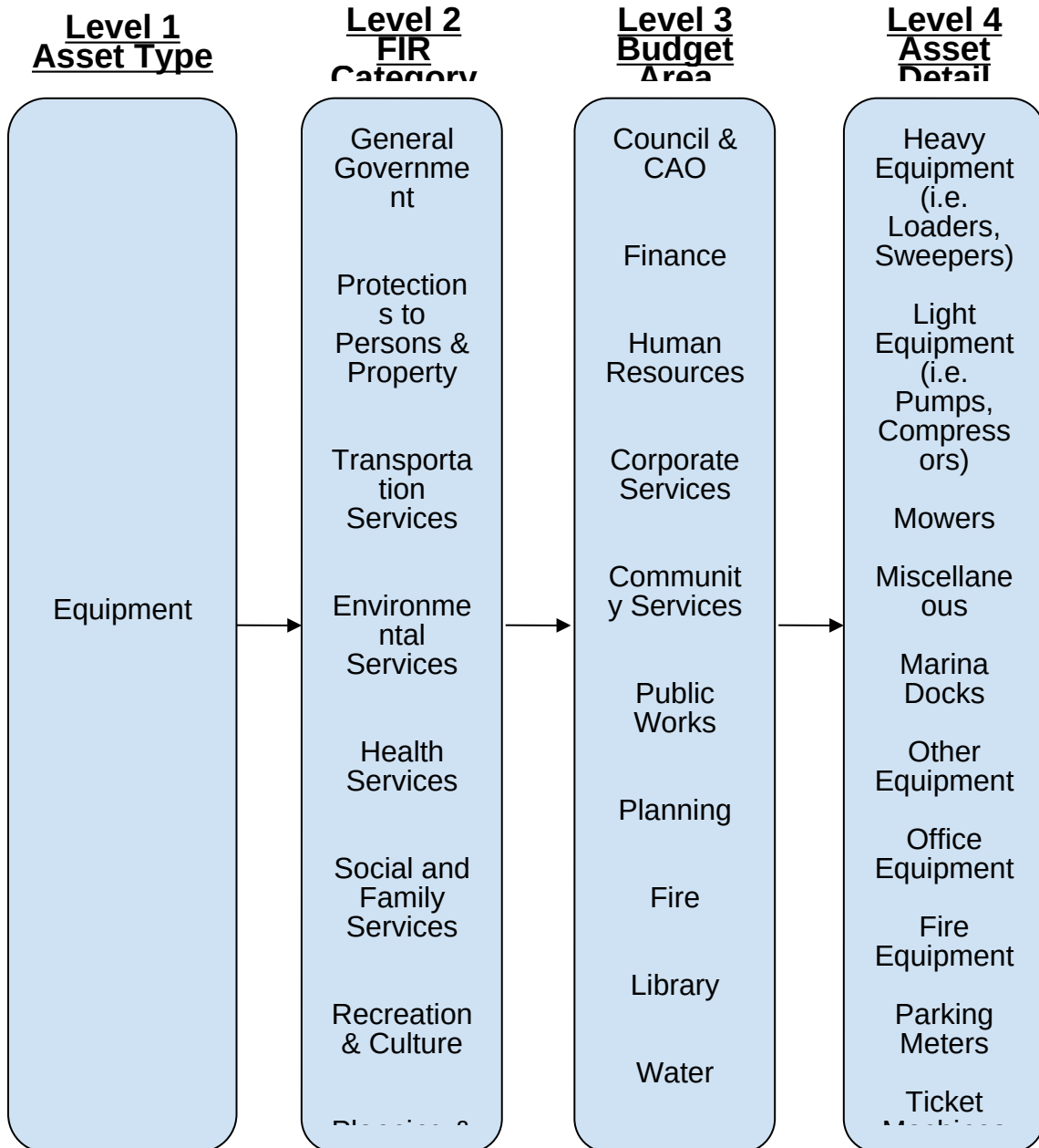
The City of Quinte West

Parks Asset Tree



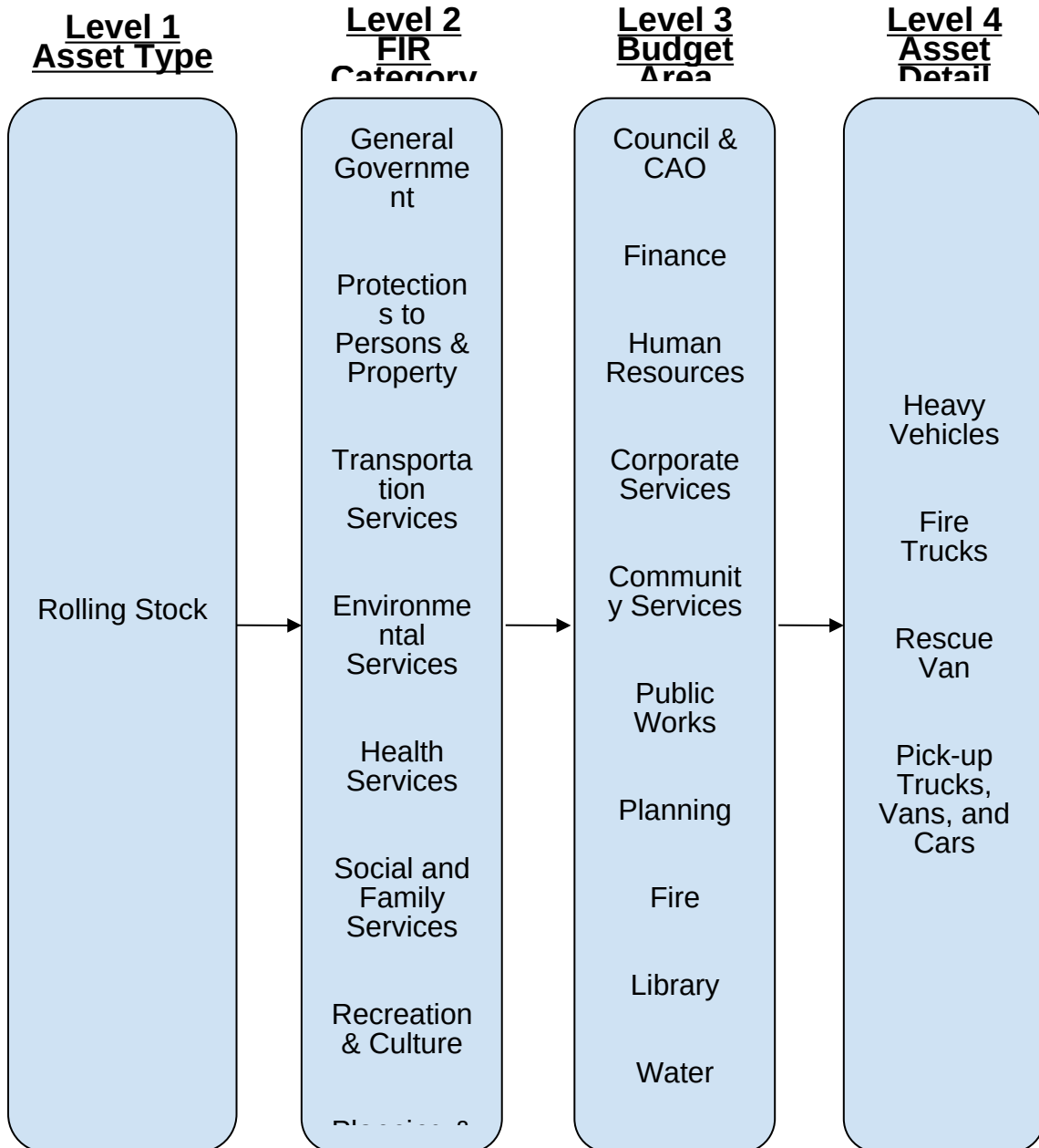
The City of Quinte West

Equipment Asset Tree



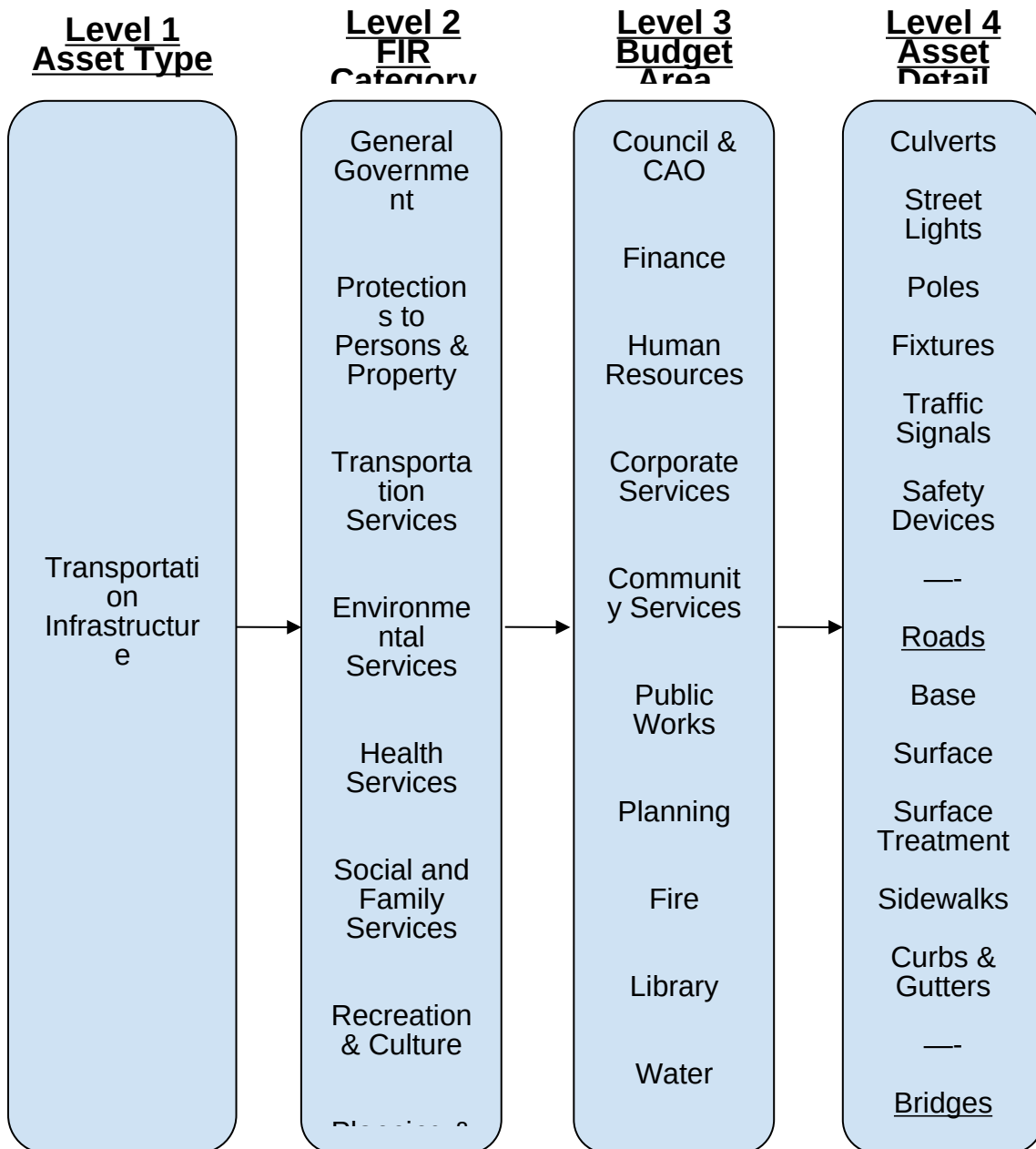
The City of Quinte West

Rolling Stock Asset Tree



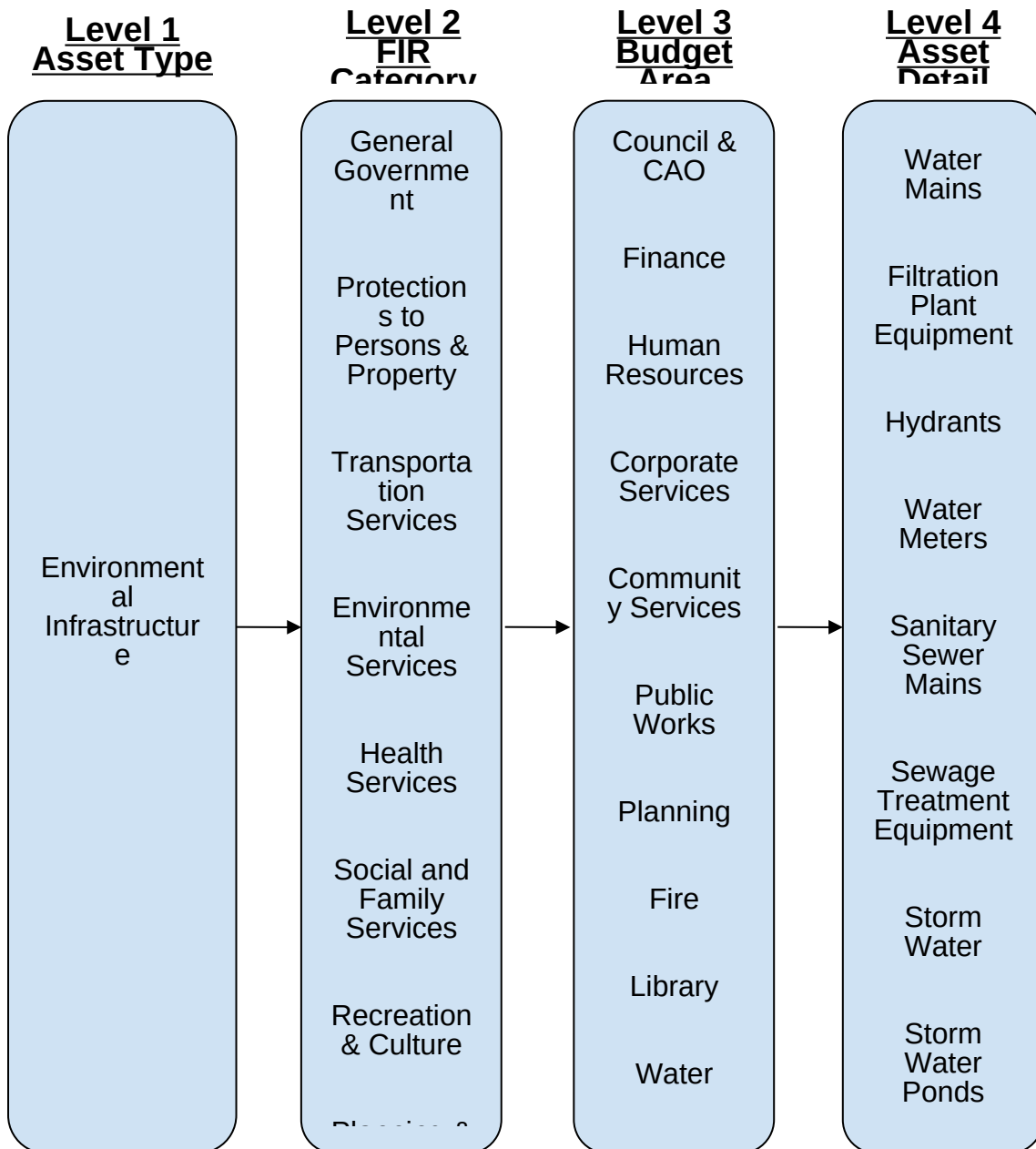
The City of Quinte West

Transportation Infrastructure Asset Tree



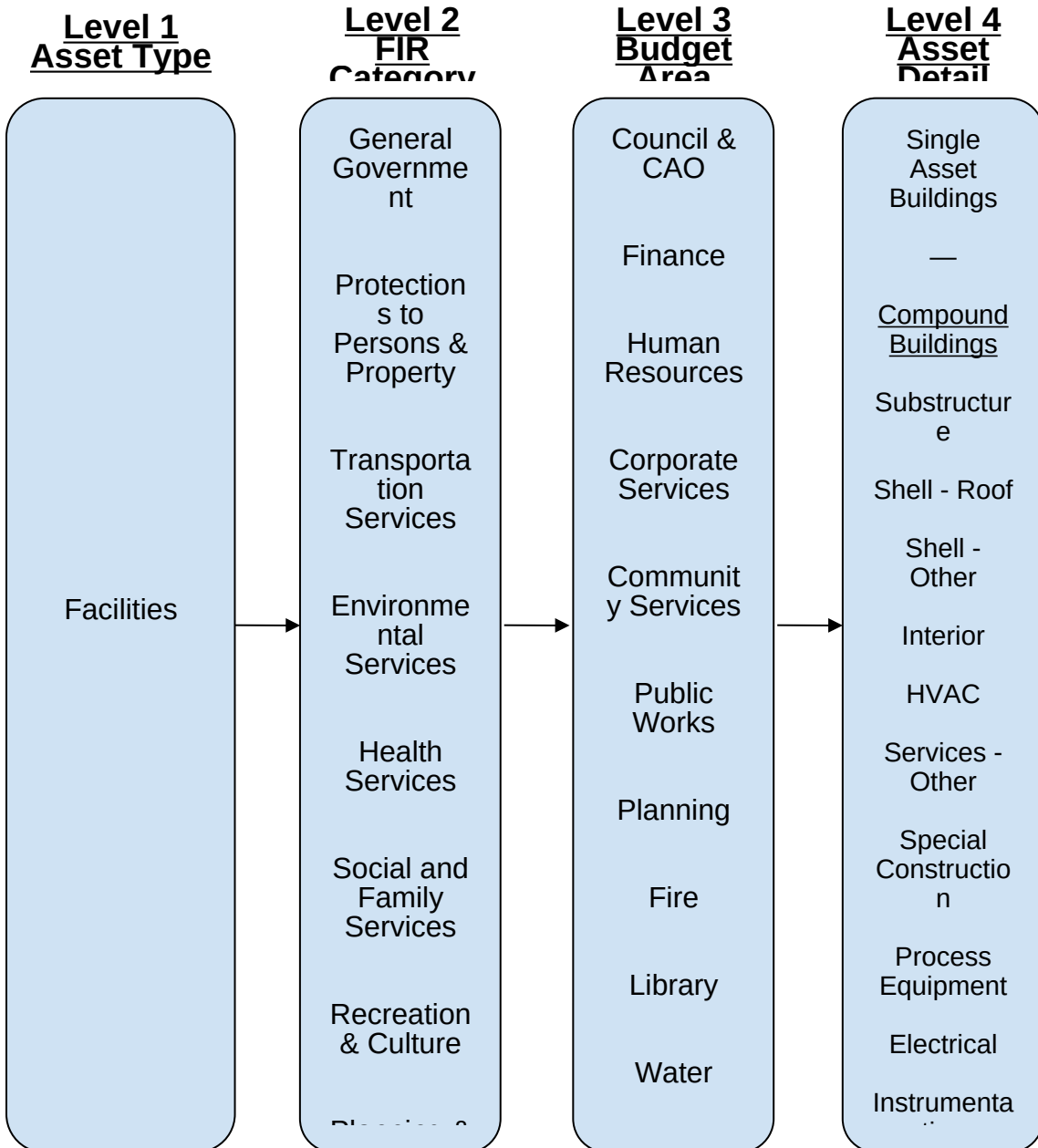
The City of Quinte West

Environmental Infrastructure Asset Tree



The City of Quinte West

Facilities Asset Tree



Appendix B

Example of Deemed Disposition Asset Pooling Methodology

Example 1 of Deemed Disposition Asset Pooling - Pooled Small Tools

Assumptions:


- Small tools have a 10 year useful life.
- Account for tools purchased throughout 2008 to 2017 (10 year period)
- No amortization in the year of purchase

Spreadsheet: 2017 Year-End Values

	Total Historical Cost	Useful Life (yrs)	Useful Life Remaining	Accum. Amort. To 2017	Net Book Value to 2017
2008 Purchases	\$5,600	10	1	\$5,040	\$560
2009 Purchases	\$2,450	10	2	\$1,960	\$490
2010 Purchases	\$8,740	10	3	\$6,118	\$2,622
2011 Purchases	\$3,200	10	4	\$1,920	\$1,280
2012 Purchases	\$5,900	10	5	\$2,950	\$2,950
2013 Purchases	\$10,200	10	6	\$4,080	\$6,120
2014 Purchases	\$5,000	10	7	\$1,500	\$3,500
2015 Purchases	\$6,400	10	8	\$1,280	\$5,120
2016 Purchases	\$7,800	10	9	\$780	\$7,020
2017 Purchases	\$6,700	10	10	-	\$6,700
Ending 2017 Balances	\$61,990			\$25,628	\$36,362

Spreadsheet: 2018 Year-End Values

	Total Historical Cost	Useful Life (yrs)	Useful Life Remaining	Accum. Amort. To 2017	Net Book Value to 2017
2008 Purchases	\$5,600	10	0	\$5,600	-
2009 Purchases	\$2,450	10	1	\$2,205	\$245
2010 Purchases	\$8,740	10	2	\$6,992	\$1,748
2011 Purchases	\$3,200	10	3	\$2,240	\$960
2012 Purchases	\$5,900	10	4	\$3,540	\$2,360
2013 Purchases	\$10,200	10	5	\$5,100	\$5,100
2014 Purchases	\$5,000	10	6	\$2,000	\$3,000
2015 Purchases	\$6,400	10	7	\$1,920	\$4,480
2016 Purchases	\$7,800	10	8	\$1,560	\$6,240
2017 Purchases	\$6,700	10	9	\$670	\$6,030
2018 Purchases	\$11,200	10	10	-	\$11,200
2018 Deemed Dispositions	(\$5,600)			(\$5,600)	-
Ending 2018 Balances	\$67,590			\$26,227	\$41,363



Net Book Value (as at December 31, 2018)

Historical Cost	\$67,590
Accumulated Amortization	<u>(\$26,227)</u>
Net Book Value	\$41,363
Amortization Recorded in 2018	\$6,199

Appendix C
Estimated Useful Life & Minimum
Capitalization Threshold of
Tangible Capital Assets

Asset Type		Useful Life (Years)	Minimum Capitalization Threshold
Land			-
Land Improvements			
	Golf Course Bridges	50	\$5,000
	Trails	20	\$5,000
	Signs	20	\$5,000
	Paved Lots	25	\$5,000
	Hydro Upgrades	25	\$5,000
	Boat Launches	15	\$5,000
Parks			
	Afghanistan Memorial	20 . 40	\$5,000
	Irrigation System	15	\$5,000
	Lights	25	\$5,000
	Skatepark	40	\$5,000
	Courts	20	\$5,000
	Sportsfields	20	\$5,000
	Splash Pads	20	\$5,000
	Playground Equipment	15	\$5,000
	Benches and Bleachers	15	\$5,000
	Fencing	15	\$5,000
Equipment			
	Heavy Equipment (Loaders, Sweepers)	10 . 15	\$5,000
	Light Equipment (Pumps, Compressors)	5 . 25	\$5,000
	Mowers	10	\$5,000

Asset Type		Useful Life (Years)	Minimum Capitalization Threshold
	Miscellaneous	Item by item basis	\$5,000
	Marina Docks	20	\$5,000
	Other Equipment	5 . 30	\$5,000
	Office Equipment	3	\$5,000
	Fire Equipment	4 . 20	\$5,000
	Parking Meters	5 . 15	\$5,000
	Ticket Machines	10	\$5,000
	Computer Software and Hardware	4	\$5,000
	Copiers, Electronic Devices and Security Systems	3 . 5	\$5,000
Rolling Stock			
	Heavy Vehicles	15	\$5,000
	Fire Trucks	20	\$5,000
	Rescue Van	15	\$5,000
	Pickup Trucks, Vans and Cars	10	\$5,000
Transportation Infrastructure			
	Roads		
	Base	35	\$50,000
	Asphalt Surface (HDB;LCB)	20	\$50,000
	Surface Treatment (ST;G/S)	20	\$10,000
	Sidewalks	35	\$10,000
	Curbs and Gutters	35	\$10,000
	Bridges		
	Deck (Wood, Concrete)	50 . 75	\$25,000
	Structure (Steel, Wood)	50 . 75	\$50,000

Asset Type		Useful Life (Years)	Minimum Capitalization Threshold
	Wearing (Asphalt, Wood)	15 . 20	\$25,000
	Culverts	50	\$10,000
	Street Lights (Arm, Hardware)	45	\$10,000
	Poles	45	\$10,000
	Fixtures	45	\$10,000
	Traffic Signals	40	\$10,000
	Safety Devices	25	\$10,000
Environmental Infrastructure			
	Water Mains		
	Cast Iron	50	\$30,000
	Polyethylene	80	\$30,000
	CPP (Concrete Pressure Pipe)	80	\$30,000
	Galv	50	\$30,000
	Copper	80	\$30,000
	AC	80	\$30,000
	PVC	80	\$30,000
	Filtration Plant Equipment	30	\$5,000
	Hydrants	60	\$5,000
	Water Meters	10 . 20	\$5,000
	Sanitary Sewer Mains		
	Polyethylene	80	\$30,000
	Concrete	80	\$30,000
	Reinforced Concrete (RC)	80	\$30,000
	AC	80	\$30,000
	Clay Tile	80	\$30,000

Asset Type		Useful Life (Years)	Minimum Capitalization Threshold
	Vitrified Clay (VC)	80	\$30,000
	PVC	80	\$30,000
	Sanitary Treatment Equipment	30	\$5,000
	Storm Water	50 . 8	\$30,000
	Storm Water Ponds	60	\$30,000
Buildings			
	Single Asset Buildings	30	\$25,000
	Compound Buildings		
	Substructure	95 . 110	\$25,000
	Shell - Roof	15 . 35	\$10,000
	Shell - Other	55 . 85	\$25,000
	Interior	35 . 85	\$10,000
	HVAC	25	\$10,000
	Services - Other	25	\$10,000
	Special Construction	25	\$10,000
	Process Equipment	30	\$10,000
	Electrical	40	\$10,000
	Instrumentation	20	\$10,000
	Piping	50	\$10,000
	Building and Process Structure	60	\$10,000
	Architectural	20	\$10,000
	Services	20	\$10,000
	Services Conveying	25 . 30	\$10,000