



Administrative Policy No:	FIN - 03
Policy:	TANGIBLE CAPITAL ASSET POLICY
Effective:	September 28, 2020 (NEW)
Revised:	
Current Legislation:	
Applicable to:	Capital Asset Transactions
Policy Owner:	Director of Corporate Services / Treasurer

Policy Statement

The Corporation of the City of Port Colborne (the "City") purchases tangible capital assets to support the operations of the City. This policy is intended to be complimentary to the City's Capital Asset Management Policy that is subject to Ontario Regulation 588/17.

The purpose of this Capital Asset Policy is to ensure the stewardship of the City's tangible capital assets and the corresponding accounting practices.

All tangible capital assets purchased by the City regardless of funding source or account are the property of the City unless expressed in writing otherwise. Tangible capital assets purchased must be for the benefit of the City.

1) Delegated Authority

Financial Services is responsible for the financial accounting of tangible capital assets. Tangible capital assets are to be accounted for in accordance with Canadian public sector accounting standards and this policy.

Departments purchasing tangible capital asset purchases must do so in accordance with the City's Purchasing Policy subject to budgetary approval.

Departments carry responsibility for certain record keeping responsibilities as outlined in this policy.

2) Record Keeping

The responsibility for maintaining capital asset records resides with the following departments:

Tangible capital asset	Department
Buildings	Public Works: Facilities
Furniture and fixtures	Public Works: Facilities

Information Technology	Corporate Services: Information Technology
Infrastructure [Linear (roads, water, wastewater, storm sewer) and Bridges and Culverts assets]	Public Works: Engineering
Land	Planning and Development: Planning
Land improvements	Public Works and Community Services
Machinery and equipment	Unit purchasing and maintaining the tangible capital asset
Vehicles	Public Works: Fleet
Works of Art	Museum and other departments as required
Library Assets	Library

The level of detail required to be maintained in a capital asset inventory is a balance between the cost of data collection, tracking and analysis and the beneficial use of the information gathered. At a minimum, the identified department with responsibility for maintaining the capital asset records are expected to maintain the following information:

- A capital asset continuity schedule identifying tangible capital assets in use at the beginning of the fiscal year, tangible capital assets purchased and disposed of during the year, and tangible capital assets in use at the end of the fiscal year
- The date of each capital asset purchase
- Projected date of replacement and forecasted replacement cost, if applicable
- The individual with carriage of the capital asset
- The location of the capital asset
- The date of disposal, proceeds on disposal and how the asset was disposed (e.g. redeployed, donated, sold, scrapped)

These records are to be filed with Financial Services tri-annually no later than the second Friday of January, May and September of each year.

3) Accounting at Acquisition

Tangible capital assets are recorded at cost. Cost includes all the directly attributable expenses other than interest costs and labour of City employees in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair market value at the date of contribution. Construction costs are capitalized at cost as work progresses.

4) Accounting for Capital Leases

A lease can result in a tangible capital asset when the contractual terms result in the transfer of substantially all the benefits and risks inherent in ownership of the property to the City. A corresponding liability will be setup to offset the tangible capital asset. The value will equal the present value of the minimum lease payments, excluding the portion

related to executory costs (costs relating to the operation of the leased tangible capital asset – e.g. insurance, maintenance costs and taxes).

5) Accounting for Pooled Tangible Capital Assets

Pooling is the combination of similar tangible capital assets within an asset classification. For the purpose of maintaining a general ledger amortization schedule, tangible capital assets other than building, infrastructure, land improvements, specifically identified machinery and equipment by a department and vehicles are pooled by classification type and by year for the purpose of creating a capital asset. Pooled assets are amortized and later removed from the general ledger amortization schedule once fully amortize unless notification of disposal is received prior to the pooled assets being fully amortized.

6) Accounting for Componentization

Building and infrastructure assets (roads, water, wastewater and storm sewer) are recorded on a componentized basis.

Category	Component
Building	Structure, Enclosure, Electrical, Mechanical, Fire Safety, Elevator, Finishes, Sitework and Other
Roads	Base (Paved), Surface (Paved), Gravel Roads, Sidewalks, Curb and Gutter, Guiderails, Street Lights, Traffic Signals, Road Signs
Water Distribution System	Mains, Hydrants, Water Chambers, Service Lines, Stations, Bulk Water Depot, Water Meters
Wastewater Network	Gravity Mains, Manholes, Pumping Station, Sewer Laterals
Storm Sewer Network	Mains, Chambers, Manhole, Inlets, Outlets, Storm Retention Ponds

7) Amortization

Amortization is a cost allocation method to recognize the purchase cost of tangible capital assets over the period of time that the tangible capital asset will be used. It is not intended to represent fair or market value of a capital asset.

Tangible capital assets purchased or constructed are amortized based on the date the

asset is placed in service or the constructed asset being substantially completed. Tangible capital assets are amortized on a straight-line basis (1/2 year recorded in year of purchase, construction or disposal) as identified in Schedule A.

8) Additional considerations

Subdivisions

Assets that meet the definition of Primary Services and Secondary Services of the Subdivision Agreement are effectively controlled by the City once the Plan of Subdivision is registered. These assets will be recorded by the City at the cost provided by the Developer's Consulting Engineer in the Completion Certificate(s).

Municipal Drains

Municipal drains will not be considered a land improvement and therefore will not be considered a tangible capital asset.

Works of Art

Works of Art for display in or on municipal buildings and property are not included as tangible capital assets. Works of art are held for exhibition, education and historical interest. They are deemed worth of preservation because of the social rather than financial benefits they provide to the community.

9) Disposals of Tangible Capital Assets

Those assigned with carriage of a tangible capital asset are responsible for communicating a request for disposition with the department responsible for the recording keeping once it has been determined that:

- There are no other potential users within the department with carriage of the tangible capital asset;
- Consultation has occurred with other departments that may also use the tangible capital asset and may want the tangible capital asset.

In the event a tangible capital asset cannot be redeployed the department responsible for record keeping will facilitate either a donation, sale or other form of disposal. The decision and process used for sale (e.g. trade-in, public auction, negotiation, etc.) must be made to maximize the benefit to the City.

The disposition of land, building and/or infrastructure requires Council approval. In the event such a disposition is to occur, Financial Services is to be notified.

Proceeds less any costs associated with the sale of a capital asset other than Fleet

trade-ins will be credited to a global capital asset account to support future tangible capital budgets unless restricted by an external funding agency. Fleet trade-ins will be used to offset other fleet purchases.

A decision to donate or sell a capital asset to an employee (except if the tangible capital asset is purchased through a public auction or other means) requires the approval of the Director of Corporate Services / Treasurer.

If a tangible capital asset is purchased by an employee other than through a public auction or other public means and the proceeds are less than the fair market value, a taxable benefit will be assessed to the employee. In this situation Human Resources will be notified to complete the necessary tax filings.

10) Definitions

Tangible Capital Asset: a tangible item and/or betterment to a tangible item used on a continuing basis with a useful life greater than one year. A tangible capital asset has an individual or pooled value greater than \$5,000 unless otherwise identified.

Betterment: subsequent expenditure on tangible capital assets that increase output or service capacity, lower associated operating costs, extend the useful life or improve the quality of the output.

Carriage of tangible capital asset: the person who purchased the tangible capital asset and/or is using the tangible capital asset. If no one person can be identified, responsibility is with the department Director unless otherwise delegated.

Includes: used herein means "includes without limitation".

Land: real property, real estate, or immovable property and any interest therein and includes any subset of land that has been legally defined and the improvements to it made by human efforts including but not limited to buildings, machinery, and roads.

Schedule A

The amortization period by category and component are as follows:

ASSET TYPE	ESTIMATED USEFUL LIFE
Bridges and Culverts	
Bridges	50 years
Culvert (Diameter no less than 3 meters)	50 years
Buildings	
Structure	50 years
Enclosure (Envelope)	20 - 30 years
Electrical	20 - 30 years
Mechanical	10 - 25 years
Fire Safety	15 years
Elevators	25 years
Finishes	10 - 30 years
Sitework	20 years
Other	10 - 50 years
Information Technology	
Computer Hardware	3 years
Computer Software (Do not include annual service and license fee)	3 - 10 years
Office Equipment	3 - 10 years
Land Improvements	
Fences	35 years
Marina	15 - 100 years
Parking Lots	
- Surface	20 - 30 years
- Substructure/Base	50 years
Park Infrastructure (Playground, Splash Pad, Sports Field, Pedestrian Infrastructure)	10 - 25 years
Pedestrian Bridges	50 years
Trails and Pathways	
- Surface	20 - 30 years
- Substructure/Base	50 years
Library	
Leasehold Improvements (Refer to Building Components)	10 - 50 years
Library Books and Video Collection (Pooled)	7 years
Machinery and Equipment	
Fire Equipment	5 - 15 years

Machinery and Equipment	10 - 30 years
Small Equipment (pooled)	5 - 10 years
Road Network	
Curb and Gutter	30 years
Gravel Roads	10 years
Guiderails	30 years
Paved Roads - Base	50 years
Paved Roads - Surface	10 - 20 years
Sidewalks	30 years
Signs (pooled)	10 years
Street Lights	20 - 30 years
Traffic Signals	20 years
Storm Sewer Network	
Storm Mains	50 - 75 years
Storm Culvert	30 years
Manhole	50 years
Storm Chambers and Retention Pond	75 - 100 years
Water Distribution Network	
Distribution Pipe	50 - 75 years
Service Lateral	50 - 75 years
Chambers	50 - 75 years
Hydrants, Water Stations, Bulk Water Depot	30 years
Manhole	50 years
Water Meters	20 years
Wastewater Network	
Gravity Mains	50 - 75 years
Sewer Lateral	50 - 75 years
Manhole	50 years
Vehicles	
Cars and Trucks	10 - 15 years
Fire Trucks	20 years
Land	N/A
Work In Progress	N/A