

THE MUNICIPALITY OF THE COUNTY OF ANNAPOLIS <b>POLICY AND ADMINISTRATION MANUAL</b>		<b>AM – 6.6.2</b>
Section <b>Financial Administration</b>	Subject <b>Tangible Capital Assets</b>	

## 1. APPLICATION

This policy shall apply to all tangible property owned by the Municipality of the County of Annapolis, either through donation or purchase, and which qualifies as a tangible capital asset.

## 2. AUTHORITY FOR POLICY

**Section 451, *Municipal Government Act***

## 3. POLICY INTENT

**3.1** A Tangible Capital Asset (TCA) policy promotes compliance with the Public Sector Advisory Board (PSAB) Handbook Section PSAB 3150. It provides overall direction for the capitalization of assets, technical guidance in the creation of a tangible capital assets accounting system and addresses areas of PSAB that may require professional judgement. In addition, a TCA policy provides a framework in which to make consistent sound decisions, plan ahead for future needs and provide public confidence in accounting and financial reporting processes.

## 4. DEFINITIONS

### 4.1 *Tangible Capital Asset*

In accordance with PSAB 3150, tangible capital assets are non-financial assets having physical substance that:

- (a) are held for use in the production or supply of goods or services, for rentals 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

### 4.2 *Cost*

The gross amount of consideration given up to acquire, construct, develop or better a TCA includes all costs directly attributable to acquisition, construction, development or betterment of the TCA, including installing the asset at the location and in the condition for its intended use.

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**4.3 Fair Value**

The amount of consideration that would be agreed upon in an arm’s length transaction, between knowledgeable, willing parties who are under no compulsion to act.

**4.4 Capital Threshold**

An amount that is established to determine whether expenditures are to be capitalized as assets and depreciated or treated as current year expenditures.

**4.5 Pooled Assets**

Assets that have a unit value below the capitalization threshold but have a material value as a group.

**4.3 Amortization**

The write down of a tangible asset over its useful life in a rational and systematic manner appropriate to its nature and use.

**5. SPECIFIC REQUIREMENTS AND GUIDELINES**

**5.1 Assets Categories**

- Land
- Buildings
- Infrastructure
- Vehicles, Machinery, Equipment
- Furniture and Fixtures
- Technology

**5.2 Capital Threshold**

Tangible capital assets should be capitalized according to the following thresholds:

- (a) All land
- (b) Land improvements exceeding \$5,000
- (c) Building and building improvements exceeding \$5,000
- (d) Leasehold improvements exceeding \$5,000
- (e) Vehicles and equipment with a unit cost of \$5,000 or greater
- (f) Infrastructure expenditures with a unit cost of \$5,000 or greater
- (g) Pooled assets with an aggregate cost of \$5,000 or greater

**5.3 Accounting Procedures**

- (a) All tangible capital assets shall be budgeted, financed and reported on the books of the County.

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- (b) Pooled assets as identified in Schedule “A” shall be deemed to be a tangible capital asset.
- (c) Tangible Capital assets shall be amortized on a straight line basis except for landfill sites which will be amortized as per PSAB 3270. Useful life ranges will be determined in consultation with the auditors.
- (d) Capitalization shall be deemed to occur at the time the asset is put into service.
- (e) Annual amortization expense shall be estimated and included in the annual budget and shall be financed.
- (f) Write-downs are an adjustment to the cost of the TCA (PSAB 3150.31) and expensed.
- (g) Financial statement presentation and disclosure will be in accordance with CICA Public Sector Guideline 7 (PSG-7).

## **6. ADMINISTRATION**

- 6.1** The Chief Administrative Officer or designate shall be responsible for administering this policy.

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### **Schedule “A” – Pooled Assets**

*Asset Category – Technology*

Asset Class- Computers

- Printers
- Servers
- - Routers
- - Switches

*Asset Category – Vehicles, Machinery, Equipment*

Asset Class- Safety Equipment