

	<b>FINANCE</b> <b>TANGIBLE CAPITAL ASSETS PROCEDURE</b> <b>Supporting Procedures for TCA Reporting Policy</b>		
	<b>Owner:</b> <b>Corporate Financial Reporting</b>	<b>Issue date:</b> <b>2024 03 01</b>	<b>Next revision date:</b> <b>2025 02 01</b>
	<b>Approved By:</b> <b>Finance Manager, Corporate Financial Reporting</b>		

# Supporting Procedures for TCA Reporting Policy

The purpose of this document is to help The City of Calgary (The City)'s employees find procedures, forms, templates, policies, bylaws, and other documents referenced in the Administration Policy that are related to Tangible Capital Assets (TCA) reporting.

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## DEFINITIONS

Term	Definition
Administrative Overhead	Costs that are not directly attributable to acquisition, construction, or development of a TCA.
Asset Hierarchy	<p>A system of classifying TCAs for financial recording and reporting purposes. TCAs are categorized into the following classes:</p> <ul style="list-style-type: none"> <li>• Major class – a group of TCAs that are significantly different in design and use from those in other major classes (e.g. vehicles, engineered structures).</li> <li>• Minor class – further classification of TCAs within a major class based on unique characteristics (e.g. the roadway system and the water system are minor classes within the major class of Engineered Structures).</li> <li>• Subclasses – further classification of TCAs within a minor class based on other unique criteria. Multiple subclasses under one minor class are possible.</li> </ul>
Assignment / Assigned Business Unit	The Business Unit that is recorded in the corporate TCA Register as holding a TCA is assigned to that TCA. TCA assignment means maintaining complete, timely and accurate TCA information in accordance with policy.
Attributable Costs	Costs that are directly linked to the acquisition, construction or preparation of a TCA for its intended use.
Betterments	Expenditures on TCAs that: extend the estimated useful life, increase previously assessed physical output or service capacity, improve the quality of the output or reduce associated operating costs.
Capital Lease	<p>A lease is considered a capital lease if it meets any of the following criteria:</p> <ul style="list-style-type: none"> <li>• The lease term is 75% or more of the estimated useful life of the asset.</li> <li>• There is reasonable assurance of a transfer of ownership at the end of the lease or the lease has a bargain purchase option.</li> </ul>

Term	Definition
	<ul style="list-style-type: none"> <li>The present value of net lease payments (excluding executor costs) is 90% or more of the fair value of the asset.</li> </ul>
Capitalization	The process of recognizing and recording a TCA and entering that TCA into the corporate TCA Register for financial reporting.
Capitalization Approach: Component Asset	A TCA that is divided into individual parts (components). Each component is valued and amortized separately.
Capitalization Approach: Network Asset	A TCA that consists of interconnected assets that work together to provide a service where a defined boundary exists. Professional judgement can be used to account for these assets as either a single asset (network) or treating each component as an individual asset.
Capitalization Approach: Grouped Asset	The process by which TCAs in a particular class are combined to be valued and amortized as one item. The unit value of grouped TCAs is below the capitalization threshold, but the combined value of grouped TCAs exceeds the capitalization threshold. TCAs in a group are homogeneous in physical characteristics, use and expected useful life. Grouped assets are identified in the TCA Asset Hierarchy.
Capitalization Approach: Single Asset	A TCA which is made up of connected parts. Costs of all parts are combined when the TCA is valued and amortized (e.g. fire truck). Single assets are identified in the TCA Asset Hierarchy.
Carrying Costs	Costs associated with holding an asset without developing it for its intended purpose (e.g. grounds keeping, security, and repairs).
Commissioned TCA	A purchased TCA which requires additional outfitting or installation before it is ready for its intended purpose.
Consolidated Related Entity	Organizations that are not a part of The City, but are included in The City's consolidated financial statements (e.g. Calgary Public Library Board). (Also referred to as Related Authorities or Related Entities)
Constructed TCA	A TCA that is specifically built or assembled by or for The City
Contributed TCA	A TCA given to The City which is ready to be used for its intended purpose (also referred to as a Donated Asset).

Term	Definition
Controls	Activities and procedures that are intended to reduce the risks of errors or misrepresentations, provide data quality assurances, safeguard assets and ensure that processes have been completed correctly.
Controlled Asset / Controllership	<p>Typically, control is synonymous with ownership; however, The City may control assets it does not own. To determine control over an asset The City does not own, professional judgment must be used to consider the following factors:</p> <ul style="list-style-type: none"> <li>• Have third parties made significant use of the asset?</li> <li>• Is The City able to restrict use of the asset by third parties?</li> <li>• Is The City the beneficiary of future economic benefits from the asset?</li> <li>• Are all benefits and risks of ownership substantially transferred to The City in the terms and conditions of legislation or a contract?</li> <li>• Is The City responsible for the asset's performance, availability and maintenance?</li> <li>• Is The City responsible for renewing and replacing the asset?</li> <li>• Does The City bear all risk of obsolescence, environmental liability, uninsured damage or condemnation of the asset?</li> <li>• Has The City been using the asset continually to produce or supply goods and services?</li> <li>• Is The City responsible for the construction costs of the asset?</li> <li>• Is The City responsible for the financial or other implications of cost and time overruns caused by unforeseen events during the construction period or subsequent warranty repairs?</li> </ul>
Corporate TCA Register	The corporate system that stores TCA information to be reported on The City's financial statements. The City's current corporate TCA Register is PSAM.
Cost	The gross amount of consideration given up to acquire, construct, or develop a TCA to prepare it for intended use.
Depreciation (Amortization)	The reduction in cost of a TCA to reflect the passage of time, as well as factors, such as wear and tear. Depreciation is recognized in a systematic method over the useful life of a TCA. This term is also referred to as amortization.

Term	Definition
Disposal	The removal of a TCA from service, which usually occurs as a result of sale, destruction, loss or abandonment.
Disposal Method: Single Asset Disposal	<p>Removal of a Single Asset from the Corporate TCA Register based on its historical cost in PeopleSoft Asset Management (PSAM).</p> <p>Note: Applicable to scenarios such as removal of an entire structure (e.g. demolition, natural disaster, or sale) of which all costs for the relevant structure will be completely disposed of in PSAM.</p>
Disposal Method: Disposal Cost Calculator	<p>Method of disposal using present value calculations to estimate proportion of costs to dispose off from an existing component asset that is being partially replaced.</p> <p>Note: This tool assumes that costs are disposed of using first-in-first-out (FIFO) principles.</p>
Disposal Method: System Generated Disposal	<p>System-generated removals of TCA from the corporate TCA Register when the asset is fully depreciated.</p> <p>Note: This process is currently applicable only to machinery and equipment (M&amp;E) with capitalization value less than \$25K that were reported in the Corporate TCA Register prior to the implementation of M&amp;E changes (effective 2015 January 1).</p>
Estimated Useful Life	The estimate of the period over which a TCA is expected to be used by The City. Useful life estimates are made based on factors, such as expected future usage, effects of technological obsolescence, expected wear and tear due to the passage of time, and studies of similar assets.
Expert Appraisal Value	A value assigned by either an internal subject matter expert or a professionally accredited third party.
Fair Value	The amount that is agreed to be a TCA's value in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.
Half-year Rule	In the year of acquisition, depreciation for all TCAs except vehicles is set at 50 per cent of a full year's depreciation regardless of the actual in-service date.

Term	Definition
Impairment	A permanent reduction in cost of a TCA when its future economic benefits are reduced as determined by a valuation of the TCA after the in-service date.
In-Service Date	The point at which a TCA is ready to be used for its intended purpose.
Interest Costs	Costs of debt directly attributable to the acquisition, construction, development, and betterment of TCA. Interest costs are expensed and shall not be capitalized.
Lease Term	The minimum duration of a lease arrangement, as stipulated by the lease agreement signed by The City.
Linear TCA	An asset measured by length or dimension (e.g. a pipe is measured in kilometres).
Maintenance Costs	<p>Cost or expenditure incurred to maintain or restore a TCA to its predetermined service potential (e.g. regular repairs, repainting, replacing minor parts, repairs to restore TCAs damaged by fire, flood, vandalism, or accidents to pre-damaged condition).</p> <p>Note: costs incurred to enhance the predetermined service potential of a TCA are not treated as maintenance costs.</p>
Management Representation Letter	A letter signed by City management or staff to attest that The City's Consolidated Financial Statements are fairly presented in all material respect, in accordance with Public Sector Accounting Standards (PSAS).
Market Value	The price at which a TCA would trade in a competitive market setting.
Net Book Value (NBV)	The current value on the books. Derived from a TCA's cost less the accumulated depreciation and any write-downs or other impairments. NBV equals current cost minus current accumulated depreciation.
PeopleSoft Asset Management (PSAM)	PSAM is the Asset Management module used to track corporate TCA information within PeopleSoft Financials and Supply Chain Management (FSCM). This module is The City's current corporate TCA Register.

Term	Definition
Processes	Sequence of interdependent and linked procedures to convert inputs (data, material, parts, etc.) into outputs. These outputs then serve as inputs for the next stage of the process until a known goal or end result is reached.
Project	The City follows the Corporate Project Management Framework definition of a project. A project is a temporary endeavour designed to produce a unique product or result with defined beginning and end. A project is constrained by time, resources and/or deliverables, but is undertaken to meet unique goals and objectives to bring about a beneficial change or to add value to the organization. The scope of work has a pre-determined financial budget (activity or reference) and is usually managed by one project manager.
Present Value (PV)	A calculation where the minimum future payments are discounted at an appropriate rate back to today's value.
Residual Value	The estimated net realizable value of a TCA at the end of its useful life (also referred to as Salvage Value).
Service Potential	The future benefit of the output or service capacity of a TCA taking into consideration the TCA's age, condition and the quality of its output.
Substantially Complete	<p>The point in time when a project may be issued a "substantial completion certificate" in accordance with The City's Standard General Conditions.</p> <p>A Contract or a subcontract is substantially performed:</p> <ul style="list-style-type: none"> <li>a) When the work (or a substantial part of it) under a Contract or a subcontract is ready for use or is being used for the purposes intended; and</li> <li>b) When work to be done under the contract or subcontract is capable of completion or correction at a cost of not more than: <ul style="list-style-type: none"> <li>(i) three per cent (3%) of the first \$500,000 of the Contract or subcontract price,</li> <li>(ii) two per cent (2%) of the next \$500,000 of the</li> </ul> </li> </ul>

Term	Definition
	Contract or subcontract price, and  (iii) one per cent (1%) of the balance of the Contract or subcontract price.
Straight-line Depreciation	The methodology used to reflect a constant charge (or expense) for a TCA in equal increments as a function of time. Calculated by taking the cost of the TCA less the residual value and dividing that cost by the TCA's estimated useful life.
TCA Stewardship	The Business Unit which has legal title or control of a TCA's economic benefit and makes decisions about its operations and maintenance.
TCA Register	See PeopleSoft Asset Management (PSAM) definition
Tangible Capital Asset (TCA)	TCAs are any asset that has physical substance or is software, that is controlled by The City (including assets under capital lease from a third party) and that meets all of the following criteria: <ul style="list-style-type: none"> <li>i. Provides future service potential to The City;</li> <li>ii. Has a useful life longer than one year;</li> <li>iii. Is intended for use on a continuous basis and not in long-term storage; and</li> <li>iv. Is not held for sale in the ordinary course of operations or considered inventory.</li> </ul>
Threshold Value	A minimum dollar amount at or above which a TCA would be capitalized, as listed in the TCA Asset Hierarchy.
Transfer Pricing	The price at which an asset is exchanged, either between Business Units or between The City and a Consolidated Related Entity. May include an exchange of goods or property.
Work-In-Progress (WIP)	An account used to track constructed assets before they are put into use.
Write-Down	A reduction in the value of a TCA when it is permanently impaired or there is a decrease in the quality or quantity of service potential.

## PROCEDURES

### 1.0 Introduction

This document is a supplement to the Tangible Capital Assets (TCA) Reporting, Administration Policy. It contains prescribed rules, controls and direction that must be followed by all Business Units and related entities that hold TCAs. Failure to comply with the rules established in this document will be considered a violation of the TCA Reporting Administration Policy.

- For information on the governance of this document, TCA reporting and the high-level roles and responsibilities of Business Units, related entities and Finance, refer to the TCA Reporting Administration Policy.

### 2.0 Roles and Responsibilities

a. Business Units are responsible for:

- Ensuring historical (pre-2017)<sup>1</sup> TCA documentation is retained and accessible to Finance and external auditors, as required.
- Providing relevant and timely information to the TCA Reporting team throughout the life of the asset to support the reporting requirements (2.0b) below.

b. The TCA Reporting team<sup>1</sup> is responsible for (from 2017 going forward):

Based on information provided from the Business Units

- Recording and actively maintaining TCA information in the corporate TCA Register.
- Recording TCA and Work-in-Progress (WIP) information, in a timely manner, for all TCAs that meet Asset Hierarchy thresholds
- Recording TCA betterments, write-downs, transfers and disposals.
- Recording attributable costs for TCAs not yet in service as WIP.
- Reviewing TCAs on a regular basis to ensure the accuracy of estimated useful lives, service potential, depreciation, and residual value.
- Maintaining accurate cost and depreciation records.
- Ensuring that processes and controls are in place for appropriate review and documentation of TCAs.
- Retaining approvals and documentation that supports the completeness, accuracy, timeliness, and assignment of TCAs.

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<sup>1</sup> In 2017 the TCA Reporting team was created to centralize TCA reporting.

- Ensuring that TCA documentation will be kept current, accessible and available to finance, Business Units, and external auditors, as required.
  - Providing Business Units with TCA-related accounting and financial reporting services.
  - Compiling and sign-off of their Business Units TCA financial information as per the year-end checklist.
- c. Portfolio Finance is responsible for:
- Reviewing and sign-off of their Business Units TCA financial information as per the year-end checklist.
- d. Financial Reporting is responsible for:
- Providing advice and expertise on accounting and reporting matters.
  - Consolidating TCA information received from the TCA Reporting team to prepare the annual financial statements and supporting note disclosures.
  - Ensuring Related Entities comply with the TCA Reporting Administration Policy for consolidation purposes.

### 3.0 TCA Classification and Thresholds

- a. TCAs shall be assigned to one of the following seven major classes as defined in the Asset Hierarchy:
- Buildings
  - Engineered structures
  - Land
  - Land Improvements
  - Machinery and Equipment (M&E)
  - Vehicles
  - Cultural and Historical assets
- b. TCAs capitalization thresholds are specified in section 18.0 of this document.
- c. All TCAs at or above Asset Hierarchy threshold values shall be capitalized for financial reporting purposes.

## 4.0 The Corporate TCA Register

- a. The TCA Reporting team shall collaborate with Business Units to update the data in the corporate TCA Register in a timely manner, ensuring that the corporate TCA Register is current at periodics and fiscal year-end.
- b. A TCA may only be assigned to one Business Unit (TCA Stewardship) in the corporate TCA Register.
  - (i) If a TCA is shared between more than one Business Unit, the TCA Reporting team in consultation with the affiliated Business Units shall determine the assignment of the TCA.
  - (ii) If an assignment agreement cannot be reached, The City's Chief Financial Officer or designate, shall determine the assignment of the TCA by considering:
    - Which Business Unit receives the larger share of the TCA's service potential
    - Which Business Unit is responsible for maintaining the TCA
    - Which Business Unit is tracking the TCA for asset management purposes
    - Any relevant factors not listed above
- c. TCAs shall remain assigned to the original Business Unit as listed in the corporate TCA Register until one of the following occurs:
  - The TCA is transferred to another Business Unit or related entity.
  - The TCA is removed from service and disposed of.
  - The TCA is demolished or destroyed.
  - There is a System generated removal of the TCA (note: applicable for M&E effective 2015 January 1).

## 5.0 Capitalization Approaches

- a. TCAs and betterments to TCAs are capitalized using one of the following approaches:
  - **Single asset** - each individual TCA or betterment which meets or exceeds Asset Hierarchy thresholds shall be capitalized (e.g. each vehicle is individually capitalized as a single asset).
  - **Component asset** - when a project meets or exceeds the capitalization threshold, each component is capitalized according to hierarchy.
  - **Network Asset** – when an asset is a piece of a larger network, each addition and improvement that meets or exceeds the threshold will be capitalized.
  - **Grouped asset** - any acquisition of a grouped TCA which meets or exceeds asset hierarchy thresholds shall be capitalized.
- b. TCA capitalization approaches are specified in section 18.0 of this document.

## 6.0 Valuation

### 6.1. General Valuation Rules

- a. The capitalized value of a TCA shall include all costs incurred to acquire, construct, or prepare the TCA for its intended use.
  - (i) Donated or contributed TCAs shall be valued in accordance with Section 6.4 of this document.
  - (i) All costs shall be accumulated in WIP until the TCA's in-service date, at which point the TCA shall be capitalized.
    - (i) Costs incurred after the in-service date that are directly attributable to acquiring or preparing the TCA for its intended use shall be included in the TCA's capitalized value.
    - (ii) If TCAs are purchased as a package, or costs need to be divided among TCAs, Business Unit shall allocate costs proportionately based on the fair value of the TCAs, or a reasonable basis if fair value is not determinable.
    - (iii) TCA components shall be capitalized using directly attributable costs.
      - (i) If directly attributable costs are not available, TCA components shall be capitalized proportionately based on the fair value of the TCA components, or a reasonable basis if fair value is not determinable.
    - (iv) Grants received from other levels of government shall not reduce the cost of a TCA.
    - (v) The cost of a TCA shall not be reduced, regardless of the value of cash or other goods and services received or exchanged.
    - (vi) Maintenance costs are expensed and shall not be capitalized.
    - (vii) Interest costs are expensed and shall not be capitalized.
    - (viii) Feasibility studies are expensed and shall not be capitalized unless the study can be directly attributed to an asset. See the "Feasibility Studies Quick Guide" on the [TCA Reporting website](#) for more information.

### 6.2. Purchased or Commissioned TCAs

- a. The cost of a purchased or commissioned TCA shall include the purchase price plus all other costs incurred to prepare the TCA for its intended purpose.
  - (i) Examples of other costs may include:
    - Non-refundable taxes and duties
    - Freight and delivery charges
    - Design and engineering fees

- Legal and processing fees
- Survey costs
- Installation costs
- Site preparation costs

### **6.3. Constructed TCAs**

- a. The costs of a constructed TCA shall be accumulated in WIP, in accordance with Section 8 of this document, until the TCA is ready to be capitalized or put into service.
- b. The cost of constructed TCAs shall include direct costs (e.g. materials and labour) and all overhead costs directly attributable to construction or development.
  - (i) Examples of directly attributable costs may include:
    - Architectural and other professional fees
    - Inspection fees
    - Project management expenses
    - Internal design costs
- c. Overhead cost capitalization shall end under one of the following circumstances:
  - The TCA is substantially complete and ready for its intended purpose.
  - A significant interruption to the project occurs and no construction or development is taking place.
- d. General administrative overhead shall not be capitalized.
- e. Carrying Costs for land held for municipal purposes prior to pre-construction activities shall not be capitalized. Once pre-construction activities have begun Carrying Costs for land shall be capitalized.

### **6.4. Donated or Contributed TCAs**

- a. The cost of donated or contributed TCAs shall be the fair value of the TCA, plus all costs incurred to prepare the TCA for its intended purpose.
  - (i) Fair value shall be determined using the current rates prescribed in the Municipal Development Agreement (MDA).
  - (ii) In circumstances where MDA rates are not available, market value shall be used.
  - (iii) In circumstances where MDA rates or market values are not available, expert appraisal value shall be used.
  - (iv) In circumstances where no value can be reasonably established, the TCA shall be capitalized at a nominal value.

- b. If the MDA rate does not accurately represent the actual costs of the TCA, Business Units may use another rate if approval is obtained from the Business Unit Director and the Chief Financial Officer or designate.

## **6.5. Capital Leases**

- a. TCAs under capital lease shall be capitalized at the present value of the minimum lease payments, plus any costs directly attributable to the acquisition or inception of the lease.

## **7.0 Changes to a TCA's Value**

### **7.1. General Rules**

- a. Changes to a TCA's value are permitted if:
  - A betterment was performed (Section 7.2.)
  - A write-down is required (Section 7.3.)

### **7.2. Betterments**

- a. An expenditure is considered a betterment if it meets one of the following criteria:
  - The TCA's estimated useful life is extended.
  - The TCA's physical output or service capacity is increased.
  - The quality of the TCA's output is improved.
  - The TCA's associated operating costs are lowered.
- b. Business Units shall retain documentation which justifies classifying an expenditure as a betterment.
- c. Betterments that meet or exceed the Asset Hierarchy threshold shall be capitalized in the corporate TCA Register.
- d. Betterments shall be capitalized in the current accounting period using the transaction date of the betterment.
- e. If a betterment increases the estimated useful life of a TCA, the TCA's estimated useful life shall be changed in accordance with Section 11 of this document.

### **7.3. Write-Downs**

- a. A TCA shall be written-down when there is a permanent and measurable impairment in its value and the TCA still exists, such as when the TCA's service potential is:
  - Expected to be lower than originally planned.
  - Negatively impacted due to a change in the TCA's use or physical damage.

- (i) To complete a write-down, Business Units are required to obtain sign-off from the Business Unit Director and consult with the TCA Reporting team to determine if the write-down will result in further corporate impacts.
- b. After Business Unit sign-off and consultation with Financial Reporting, The TCA Reporting team shall:
  - Make the required changes to the corporate TCA Register.
  - Retain all documentation supporting the change.
- c. If a write-down would result in a net book value of zero, the TCA shall remain in the corporate TCA Register until disposal.
- d. Write-downs cannot be reversed, regardless of changes in future circumstances.

## **8.0 TCA WIP**

### **8.1. Within One Business Unit**

- a. The TCA Reporting team shall track and record all expenses attributable to TCA in WIP for reporting in periodic and year-end financial statements.
- b. When a constructed TCA is ready to be capitalized or put into service, the Business Unit shall provide all WIP cost information for that TCA to the TCA Reporting team. The TCA Reporting team shall remove all expenses attributable to TCA from WIP balances and record the TCA in the corporate TCA Register.

### **8.2. Between Multiple Business Units**

- a. The TCA Reporting team shall separately track and record individual WIP TCA expenses for reporting in periodic and year-end financial statements.
- b. When a constructed TCA is ready to be capitalized or put into service, each involved Business Unit shall provide all WIP cost information for that TCA to the TCA Reporting team.
  - (i) The Business Unit that the TCA is assigned to is responsible for providing the information to the TCA Reporting team. The TCA Reporting team shall remove all expenses attributable to TCA from WIP balances and record the TCA in the corporate TCA Register.
- c. Documentation retention for WIP and in-service TCAs shall be in accordance with Section 2 of this document.

### **8.3. WIP Analysis and Cancelled WIP Projects**

- a. The TCA Reporting team shall analyse WIP balances at periodics and fiscal year-end to ensure that in-service TCA expenses and non-TCA expenses are not included in WIP.

- b. If a WIP project is cancelled or does not go ahead in a reasonable amount of time, attributable costs shall be taken out of WIP.

## 9.0 In-Service Dates

- a. All TCAs shall have an in-service date recorded in corporate TCA Register.

## 10.0 Recording Estimated Useful Life

- a. The TCA Reporting team shall record the estimated useful life for each TCA in accordance with the asset hierarchy.
  - (i) If, due to the condition/age of a TCA, the estimated useful life is less than that in the asset hierarchy, the Business Unit shall determine the TCA's estimated useful life.
  - (ii) If the TCA useful life requires reassessment of the asset hierarchy, the TCA Reporting team shall work with the Business Unit to determine an estimated useful life based on the shortest period of:
    - The TCA's expected future use
    - Effects of technological obsolescence
    - Expected wear and tear from use or the passage of time
    - Anticipated maintenance and repair schedule
    - Commercial or legal life
  - (iii) A new profile ID can be created to reflect the unique attributes of a new type of asset, or an existing profile ID can be modified as determined necessary by the TCA Reporting Team. Asset hierarchy profile additions/changes shall require:
    - The TCA Reporting Team to provide a recommendation for an addition/change to the Financial Reporting team for review and approval.
    - The Finance Manager, Corporate Financial Reporting to review and approve proposed addition/change.
    - The Deputy Director, Corporate Finance to sign-off on the Asset Hierarchy Profile addition/change.

## 11.0 Changes to Estimated Useful Life

### 11.1. Individual TCAs

- a. The useful life of individual assets will not be adjusted. An individual asset may be moved under a different TCA Class with an appropriate useful life as determined by the TCA Reporting Lead.

### 11.2. TCA Classes

- a. Changes to the estimated useful life of a major or minor TCA class shall only be made by the Finance Manager, Corporate Financial Reporting or designate.

- b. To request a change to the estimated useful life of a TCA class, the TCA Reporting team shall:
  - Prepare and submit a useful life change request that considers the corporate impact of the change.
  - Obtain sign-off from the Business Unit Director.
  - Retain all documentation supporting the change.

## 12.0 Residual Value

- a. The residual value of a TCA shall be determined by the Business Unit in conjunction with the TCA Reporting team

The following should be considered when determining the residual value of a TCA:

- Current resale value for a similar TCA
  - Business Unit's life cycle plan for the TCA
  - Business Unit's expected use of the TCA
  - Business Unit's experience with similar TCAs
- b. The residual value of a TCA may be adjusted as a result of a write-down, betterment, or significant event that has triggered a change in estimated useful life.
  - c. To request a change to residual value of a TCA, the TCA Reporting team shall:
    - Prepare a request to support changes to a TCA's residual value.
    - Obtain approval for changing the residual value from the Finance Manager, Corporate Financial Reporting or designate.
  - d. Upon receiving approval to change TCA residual value, the TCA Reporting team shall:
    - Obtain sign-off from the Business Unit Director.
    - Make the required changes to the corporate TCA Register and retain all documentation supporting the change.

## 13.0 TCA Transfers

- a. A transfer of a TCA occurs when the TCA is reassigned to another Business Unit (TCA Stewardship) in the corporate TCA Register or to a related entity.
- b. The TCA Reporting team are responsible for updating the corporate TCA Register to reflect the transfer.
- c. TCAs shall be transferred in the corporate TCA Register at the current net book value as listed in the corporate TCA Register or the net book value in related entities' asset register, regardless of any financial compensation, transfer pricing, or other arrangements negotiated between Business Units and/or related entities.

- d. The Business Unit or related entity releasing the TCA shall record depreciation up to the month of the transfer. The receiving Business Unit or related entity shall record depreciation over the TCA's remaining estimated useful life, beginning the month of the transfer.

## 14.0 TCA Disposals

- a. A disposal occurs when a TCA is physically removed from service as a result of a sale, trade-in, abandonment, destruction, loss, theft, scrapping or other event.
- b. The Business Unit disposing the TCA shall provide the following information to the TCA Reporting team upon disposal:
  - The effective date of disposal (when the TCA was taken out of service)
  - The proceeds received from disposal
- c. Proceeds received from disposal shall not include the following:
  - Revenues received from disposing a grouped asset
  - Reimbursement received from the Civic Insurance Program for damaged or stolen TCAs
- d. A disposal may result in a financial gain or loss.
- e. Disposal methods are specified in section 18.0 of this document.

## 15.0 Management Representation Letter Sign-Offs

- a. The Chief Financial Officer or designate and the Departmental General Manager or designate shall indicate the accuracy of TCA information by signing-off the year-end Management Representation Letter. The Chief Financial Officer and/or General Managers may also require staff to sign-off on the Management Representation Letter.
- b. Sign-off of the year-end Management Representation Letter shows that the signing parties are responsible for the integrity of TCA data as reported in the financial statements, that adequate processes and controls are in place and have been followed, and that financial records are reliable and reasonable.

## 16.0 Depreciation

- a. All TCAs shall be depreciated using the straight-line method.
- b. TCAs shall be depreciated as follows:
  - Land Improvements, Engineered Structures, Buildings, and M&E shall be depreciated using the half-year rule.
  - Vehicles shall be depreciated on a monthly basis beginning with the month the Vehicle is put into service.

- Land and Cultural & Historical assets are not depreciated.

## 17.0 Financial Reporting of TCAs

### 17.1. Minimum Presentation on the Consolidated Financial Statements

- a. Total net book value of TCAs shall be reported on the Consolidated Statement of Financial Position.
- b. Depreciation for the period shall be reported as an expense on the Consolidated Statement of Operations and Accumulated Surplus.
- c. Depreciation for the period shall be reported as a non- cash item on the Consolidated Statement of Cash Flows.
- d. Depreciation for the period shall be reported as an increase in net financial assets on the Consolidated Statement of Changes in Net Financial Assets.
- e. All other financial figures relevant to TCA shall be reported on the appropriate consolidated financial statement in accordance with applicable accounting standards.

### 17.2. Minimum Note Disclosure on the Consolidated Financial Statements

- a. The notes to the consolidated financial statements shall disclose in total, for each major class of TCA, excluding Cultural & Historical Property the following:
  - (i) The cost at the beginning and end of the period
  - (ii) Accumulated depreciation at the beginning and end of the period
  - (iii) Net book value at the beginning and end of the period
  - (iv) Additions and betterments during the period
  - (v) Disposals during the period
  - (vi) Amount of any write-downs during the period
  - (vii) Depreciation for the period
- b. The notes to the consolidated financial statements shall disclose the following additional TCA information:
  - (i) The depreciation method used, including depreciation period or rate for each major class of TCA
  - (ii) The net book value of TCAs not being depreciated because they are under construction or development or have been removed from service
  - (iii) The nature and amount of contributed TCAs received in the period and recognized in the financial statements
  - (iv) The nature and use of TCAs recognized at nominal value

- (v) The cultural and historical properties and treasures held by The City that are not included in TCA values given their subjective nature
- (vi) The amount of interest capitalized in the period

### **17.3. Financial Reporting for Consolidated Related Entities**

- a. All related entities, which are consolidated on a line- by-line basis, will ensure that information meeting the above requirements is provided to Corporate Financial Reporting to align with The City's policies and asset hierarchy.

## **18.0 Asset Hierarchy**

### **18.1 Profile IDs:**

For a complete list of current Profile IDs please choose one of the following options.

- Refer to [Asset Hierarchy Profile IDs](#);
- Contact your TCA Reporting Lead

### **18.2 Major Class: Buildings**

#### *Definition*

- Permanent, temporary or portable building structures, such as offices, garages, parkades, warehouses and recreational facilities intended to shelter persons and/or goods, machinery, equipment and working space. Includes heritage buildings that are used for administrative or operational purposes and leasehold improvement.

#### *Examples of Costs Included*

- Original purchase price or completed project costs including cost of labour and materials or costs of a contractor.
- Costs to remodel, recondition, or alter a purchased building to make it ready to use for the acquired purpose.
- Preparation of plans, blueprints, and specifications.
- Cost of building permits, studies, and tests (pre-acquisition costs).
- Professional fees for title searches, an architect, legal services, engineering, appraisals, and environmental surveys.

#### *Capitalization Approach:*

- Reporting format:
  - Single asset: less than \$2,000,000
  - Component asset: greater than or equal to \$2,000,000

- Capitalization threshold<sup>2</sup>:
  - Additions and betterments: \$250,000

#### ***Disposal Method:***

- Disposal cost calculator
- Single asset disposal (full building disposal)

#### ***Unique Features***

- For leasehold improvements, useful lives vary based on the lease term.

### **18.3 Major Class: Engineered Structures**

#### ***Definition***

- Permanent structural works such as roads, bridges, canals, dams, water and sewer, plus utility distribution and transmission systems including plants and substations, and fibre optics assets.

#### ***Examples of Costs Included***

- Direct costs of construction including tender construction costs, labour, materials, survey costs, and project-specific design costs.
- Salary and travel costs for employees assigned to the project for direct management duties such as project management, inspection, and quality control.
- Charges for testing and preparation.

#### ***Capitalization Approach:***

- Reporting format:
  - Component
  - Grouped Asset (for fibre optics related assets only)
- Capitalization threshold<sup>3</sup>:

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<sup>2</sup> The capitalization threshold is to be applied to the project value. In initial stages of the project, the preliminary project value can be obtained from the business case, tender document, or purchase order. Business Units are required to re-examine the project value throughout the duration of the project and especially at the end to confirm that the capitalization threshold requirements are met by reviewing actual costs.

<sup>3</sup> The capitalization threshold is to be applied to the project value. In initial stages of the project, the preliminary project value can be obtained from the business case, tender document, or purchase order. Business Units are required to re-examine the project value throughout the duration of the project and especially at the end to confirm that the capitalization threshold requirements are met by reviewing actual costs.

- Additions and betterments: \$250,000

***Disposal Method:***

- Disposal cost calculator
- Single asset disposal

**18.4 Major Class: Land**

***Definition***

- Parcels of land acquired for parks and recreation, conservation purposes, building sites.
- Parcels of land purchased for construction of road surfaces, drainage areas, and allowances for future expansions

***Examples of Costs Included***

- Original purchase price
- Professional fees for title searches, an architect, legal services, engineering, appraisals, and environmental surveys.
- Improvement and development costs such as land excavation, filling, grading, drainage, and demolition of existing buildings (less salvage).

***Capitalization Approach:***

- Reporting format: varies – can be: Single or Grouped Asset
- Capitalization threshold:
  - Single / Grouped asset: \$0 – all land is capitalized

***Disposal Method:***

- Single asset disposal

***Unique Features***

- Land is not depreciated

## 18.5 Major Class: Land Improvements

### *Definition*

- All improvements of a permanent nature to land that have no permanent connection to the structure of a building or engineered structure, such as parking lots, landscaping, pathways, and fences, which have limited useful lives.

### *Examples of Costs Included*

- Original purchase price or completed project costs including cost of labour and materials or costs of a contractor

### *Capitalization Approach<sup>4</sup>:*

- Reporting format:
  - Varies – can be: Component or Grouped Asset
- Capitalization threshold:
  - Additions and betterments: \$250,000

### *Disposal Method:*

- Disposal cost calculator
- Single asset disposal

## 18.6 Major Class: Machinery & Equipment

### *Definition*

- Consists of equipment that has no permanent connection to the structure of a building or engineered structure.
- Includes equipment used for construction tasks, communication, aircrafts, tents, and trailers.

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<sup>4</sup> The capitalization threshold is to be applied to the project value. In initial stages of the project, the preliminary project value can be obtained from the business case, tender document, or purchase order. Business Units are required to re-examine the project value throughout the duration of the project and especially at the end to confirm that the capitalization threshold requirements are met by reviewing actual costs.

### ***Examples of Costs Included***

- Original invoice price, freight charges, and sales taxes on acquisition.
- Installation charges, charges for testing and preparation, and costs of reconditioning used items when purchased.
- Parts, labour and the related benefits of employees directly associated, as well as the construction or development.
- Costs of upgrades that improve the functionality of the software.

### ***Capitalization Approach:***

- Reporting format: Single asset (ungrouped costs)
- Capitalization threshold:
  - Additions and betterments: \$25,000

### ***Disposal Method:***

- System-generated disposal
- Single asset disposal

## **18.7 Major Class: Vehicles**

### ***Definition***

- Rolling stock that is used primarily for transportation purposes. Includes equipment/fixtures that are affixed to and stay with the vehicle.

### ***Examples of Costs Included***

- Original contract price or invoice price
- Freight charges
- Non-refundable taxes and duties on acquisition
- Costs of reconditioning used items when purchased

### ***Capitalization Approach:***

- Reporting format: varies – Grouped or single asset
- Capitalization threshold:
  - Grouped/single asset: \$5,000

### *Disposal Method:*

- Single Asset Disposal

### *Unique Features*

- Depreciation starts from the month the vehicle is put in service.
- Heavy duty vehicles are greater than 14,000 lbs.
- Light duty vehicles are less than or equal to 14,000 lbs.

## **18.8 Major Class: Cultural & Historic**

### *Definition*

- Works of art and historical treasures that have cultural, aesthetic or historical value that is worth preserving perpetually.

### *Sub-class Specific Definitions*

- **The Civic Art Collection:** A collection of Fine Art works including drawings, paintings, prints, photographs, sculpture, glass, ceramic, textiles and mixed media, with the oldest pieces dating back to the 1850s. The collection was acquired by The City through transfers from other collections and the public domain, donations of patrons and artists as well as purchase.
- **The Percent for Art Collection (commonly referred to as “Public Art”):** A collection of works of art accessible to the public which reflect the site and community where they reside. The percent for art collection is funded by a strategy outlined in the Public Art Policy, where one percent of the budget for eligible capital projects is set aside for the creation of public art.
- **Historical/Cultural Artifacts Collection:** Objects created by persons that have value related to their historical or cultural associations. One example is the Centre Street Bridge lions.

### *Examples of Costs Included*

- Original contract price or invoice price
- Freight charges
- Non-refundable taxes and duties on acquisition

***Capitalization Approach:***

- Cultural and historical properties are typically not capitalized
- These assets are NOT recognized as TCAs in the financial statements; the existence of such property is disclosed.
- One exception is operational heritage assets which are those that, in addition to being held for heritage purposes, are also used by the reporting entity for other activities or to provide other services. In such cases, the asset typically provides a measurable benefit stream, if it is maintained, as opposed to just preserved. The historical cost would be minimal, but the expenses incurred to keep it operational may qualify as a betterment, and therefore considered TCA.

## REFERENCES

### References to related corporate-wide processes, forms, templates and policies

- [TCA Reporting](#) intranet website
- [PeopleSoft Financial Templates and Codes](#)
- [Administration Policy Library](#)

### Other references

- Chartered Professional Accountants Canada (CPA) Handbook
- Municipal Government Act (MGA)

## REVISION HISTORY

Review Date	Description
2024 02 08	Procedures review. Changes to Useful Life reporting procedures pertaining to creation of new profile IDs. Removed Policy Number reference as Policies are no longer numbered.
2022 02 01	Procedures review. Add exception to capitalization approach for heritage assets (section 18.8). Add network assets to capitalization approaches (5.0a) and add definition. Change approver for residual value (11.2a) and useful life changes (12c).
2021 02 02	Procedures Review. Add feasibility study guidelines to section 6.1
2019 11.19	Procedures Review
2018 07 31	For approved changes to Vehicle TCA reporting procedures
2017 12 31	For changes to support the new centralized TCA Reporting structure
2017 03 31	For approved changes to Land Improvements TCA reporting procedures
2016 09 30	For approved changes to Engineered Structures TCA reporting procedures
2016 01 01	For approved changes to Building TCA reporting procedures
2015 09 15	To remove reference to integration between TCA and Asset Management, and for approved changes to M&E TCA reporting procedures
2011 11 15	New, consolidated policy replaces the four policies below.