



# Leeds and the Thousand Islands Public Library Board

## Policy

<b>SECTION: Financial</b>	<b>NO: FN-06</b>
<b>TITLE: Tangible Capital Asset Policy</b>	<b>Date: September 18, 2023</b>
	<b>Next Review Date:</b>

### 1.0 Policy Statement

1.1 The Tangible Capital Assets Policy supports organizational decision making and to ensure that the Leeds and the Thousand Islands Public Library's (Library) investments in collections, furniture and equipment are reflected on the Library's financial statements in accordance with the Public Sector Accounting Board (PSAB). Also addressed are policies and procedures to protect and control the use of all Tangible Capital Assets (TCA), provide accountability over TCAs and gather and maintain information needed to prepare financial statements.

### 2.0 Objective

2.1 The purpose of this policy is to promote sound corporate management of TCAs on a consistent basis in compliance with the PSAB Handbook, Section 3150. The policy provides a framework for:

- Establishing guidelines for the recording, tracking and accounting for TCAs.
- Ensuring that TCAs are recorded appropriately and accurately
- Providing accountability over TCAs
- Gathering and maintaining information needed to prepare financial statements and other financial reporting requirements
- Establishing procedures to protect and control the use of all the Library's TCAs.

### 3.0 Definitions:

**Amortization:** means the accounting process of allocating the cost less the residual value of a TCA to operating periods as an expense over its Useful Life. (This is also referred to as depreciation).

**Available for Use:** means when an asset is ready for productive use; i.e., the day the asset is occupied or goes into operation.

**Betterments:** means subsequent expenditures on TCAs that:

- Increase service capacity
- Lower associated operating costs
- Extend the Useful Life of the asset and
- Improve the quality of the asset.

These costs are included in the TCA's cost. Any other expenditure would be considered a repair or maintenance and expensed in the period in which the expense was incurred.

**Capital Lease:** means a lease with contractual terms than transfer substantially all the benefits and risks inherent in ownership of property to the Library. One or more of the following conditions must be met:

- There is reasonable assurance that the Library will obtain ownership of the leased asset by the end of the lease term, either at no cost (i.e. ownership is transferred directly) or via a bargain purchase option.
- The lease term is of such a duration that the Library will receive substantially all of the economic benefits expected to be derived from the use of the leased asset over its life span (i.e. the lease term is at least 75% or more of the economic life of the leased asset) and/or
- The lessor would be assured of recovering the investment in the leased asset and of earning a return on the investment as a result of the lease agreement if the present value, at the beginning of the lease term, of the minimum lease payments, excluding any executory costs, is equal to substantially all (i.e. 90% or more) of the fair value of the leased asset at the inception of the lease.

**Component:** means a part of an asset with a cost that is significant in relation to the total cost of that asset. Component accounting recognizes that each part of a TCA may have a different Useful Life and requires separate accounting for each of these components.

**Cost:** means the gross amount of consideration to acquire, construct, develop or better a TCA, and 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 necessary for its intended use. The cost of a contributed TCA is considered to be its Fair Value at the date of contribution.

**Fair Value:** means the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

**Historical Cost:** means an asset is the amount of consideration to acquire, construct, develop or better a TCA and includes all costs directly attributable to acquisition, construction,

development or betterment of the TCA including installation of the TCA at the location and in the condition necessary for its intended use. Historical cost is generally determined using the actual original cost. Where actual original cost information is not available, an estimated original cost may be used.

**Repairs and Maintenance:** mean ongoing activities to maintain a TCA in operating condition. They are required to obtain the expected service potential of a TCA over the estimated Useful Life. Costs for repairs and maintenance are expensed in the operating budget.

**Net Book Value:** means the capital cost less accumulated amortization and any write downs.

**Pooled Assets:** mean TCAs that have a value below the capitalization threshold when considered on an individual basis but that collectively make up for a significant group of TCAs which exceed the relevant threshold level. Pooled Assets are recorded as a single asset with one combined value, although each until may be recorded in the asset inventory for monitoring and control of its use and maintenance.

**Residual Value:** mean the estimated net realizable value of a TCA at the end of its Useful Life.

**Tangible Capital Assets (TCAs):** mean non-financial assets having physical substance that:

- Are used on a continuing basis in the Library's operations
- Have useful lives extending beyond one year
- Are held to use in the supply of services, for rental to others, or for administrative purposes
- Are not held for re-sale in the ordinary course of operations and
- Beneficial ownership and control clearly rest with the Library.

**TCAs include:**

- Additions of new TCAs or expenditures to replace, extend, enlarge or expand an existing TCA and
- Betterments, upgrades and enhancements to a TCA that improve service potential, extend the asset's Useful Life or improves the quality of output.

**TCAs do not include:**

- Works of art and treasures
- Intangible assets such as patents, copyrights and trademarks and
- Assets held for resale.

**Useful Life:** means the estimate of the period of time over which a TCA is expected to be used. The life of a TCA, other than land, is finite, and is normally the shortest of the physical, technological, commercial and legal life.

The life of a TCA may extend beyond its estimated Useful Life. As a guideline, assets should be amortized over the following life spans:

- Shelving: 25 years
- Furniture: 10 years
- Specialty and other equipment: 10 years
- Computer hardware: 3 years
- Computer software (office): 3 years
- Computer software (ILS): 10 years
- Resource materials; collections: 7 years

**Township:** means the Corporation of the Township of Leeds and the Thousand Islands.

**Write-down:** means a reduction in the cost of a TCA when conditions indicate that the asset no longer contributes to the Library's ability to provide goods and services of the value of future economic benefits associated with the asset is less than book value. A write-down should be recorded and expensed in the period the decrease can be measured and is expected to be permanent.

#### **4.0 Recording Tangible Capital Assets**

**4.1** TCAs are recorded at the earliest of the following dates:

- The date on which the TCA being constructed is substantially complete and put into service to be available for use
- The date legal ownership of the TCA is obtained by the Library, or
- The purchase date

- **Capitalization Thresholds**

Capitalization thresholds are established in consultation with the operational departments responsible for the assets, to determine whether expenditures are to be capitalized as TCAs and depreciated over time or treated as current year expenditures. For financial reporting purposes, thresholds are set fairly high.

TCAs will be capitalized when the individual unit cost meets or exceeds the following thresholds:

- Shelving and furniture: \$5,000
- Specialty and other equipment: \$5,000
- Computer hardware and software: \$5,000
- Resource materials: no threshold

#### **5.0 Valuation of Tangible Capital Assets**

**5.1** TCAs should be recorded at cost plus all ancillary charges necessary to place the asset in its intended location and condition for use. Cost also includes the asset retirement cost accounted for in accordance with Asset Retirement Obligations, PS 3280.

##### **5.2 Purchased Assets**

The cost is the gross amount paid to acquire the asset and included all non-refundable taxes and duties, freight and delivery charges, installation and site preparation costs etc., net of any trade discounts or rebates.

### **5.3 Donated or Contributed Assets**

The cost of donated or contributed assets is equal to the fair value at the date of construction or contribution. Fair value may be determined using market or appraisal values.

## **6.0 Componentization**

**6.1** TCAs may be accounted for using either the single asset or component approach.

Whether the

component approach is to be used will be determined by the usefulness of the information

versus the cost of collecting and maintaining information at the component level. The component approach should be used when the related information adds value to the decision-

making process of the assets.

Factors to consider when determining whether to use a component approach include:

- Major components may have significantly different useful lives and consumption patterns from those of the related TCA
- The value of the components in relation to the related TCA

## **7.0 Disposal of Assets**

**7.1** Under PS3150, the difference between the net proceeds on disposal of a TCA and the net book value of the asset should be accounted for as a revenue or expense in the statement of operations. Disposals of TCAs in the accounting period may occur by sale, trade-in, destruction, loss or abandonment. Such disposals represent a reduction in the Library's investment in TCAs, regardless of how that investment is reported.

Assets will be retired from the accounts of the Library when the asset is disposed of. A gain or loss on disposal will be calculated as the difference between the proceeds received and the net book value of the TCA. Any proceeds from disposal shall be transferred to the respective reserve fund.

## **8.0 Works of Art**

**8.1** As per PS3150, works of art and historical treasures are property that has cultural, aesthetic

Or historical value that is worth preserving perpetually. Works of art and historical treasures would not be recognized as TCAs in the Library's financial statements because a reasonable estimate of the future benefits associated with such property cannot be made. Nevertheless, the existence of such property should be disclosed. Works of art or archival records will be recorded, with no cost, date of acquisition, or Amortization.

## **9.0 Accountability**

9.1 The Township will compile and maintain records and prepare for specific TCAs related:

- Land and Land improvements for the Library space
- Buildings and Building improvements for the Library space

9.2 The Library will compile and maintain records and prepare reports for the following TCAs:

- Shelving and furniture
- Specialty and other equipment
- Computer hardware and software
- Resource material, collections.

**Related material**

*PS3150, Tangible Capital Assets*, [www.bdo.ca/services/accounting-knowledge-center/psas/section-ps-3150-tangible-capital-assets](http://www.bdo.ca/services/accounting-knowledge-center/psas/section-ps-3150-tangible-capital-assets)

History			
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