



STAFF REPORT

Title: Policy No. 124-AD-10 - Tangible Capital Asset Accounting Policy

Meeting Date: September 19, 2023

Executive Summary:

Policy No. 124-AD-10 Tangible Capital Asset Accounting Policy was passed by Council June 25, 2010 in accordance with requirements under the Public Sector Accounting Board (PSAB) 3250 standards. Administration is presenting several recommended amendments to the Policy for the Committee's information based on the advisement of the City's auditor to ensure all current practices completed by the City are being outlined. With the new Asset Retirement Obligation (PSAB 3280) that is effective for year ends beginning after April 1, 2022, Administration has provided an update to the policy that includes details and methodology to adhere to the new standard. These amendments are proposed to ensure consistency in application and best practice in Tangible Capital Asset accounting.

Background:

Policy No. 124-AD-10 Tangible Capital Asset Accounting Policy was passed by Council June 25, 2010. The policy was last updated on December 9, 2014.

It had been recommended during the 2022 Financial Audit by the City's auditors to include additional asset classes and amortization periods that the City is currently practicing to be included in the policy. The changes are minor in nature and do not change the way the City manages its assets. The changes are primarily related to the useful life of assets recorded including adding additional classifications for new types of assets for example. It was recommended that additional minor classes and sub-classes be included to better align the City's current TCA practices to be included in the policy.

In 2018, the Public Sector Accounting Board released a new public sector accounting standard, PS 3280, that requires municipalities to report their future liability cost to retire specific tangible capital assets that they are responsible for effective for fiscal years beginning after April 1, 2022. Primary examples for municipalities include removal of asbestos, removal of a storage tank, wastewater or sewage treatment facilities, closure of a landfill site or any legal or contractual obligation the City that is identified to be in compliance with legislation, contracts and environmental standards. The new reporting requirement comes into effect this year meaning asset retirement obligations must be included in the City's 2023 financial statements.



Amendments are proposed by Policy No. 124-AD-10, to meet the requirements of PS3280. With the introduction of PS 3280 Asset Retirement Obligations, the obligation cost of the retiring/disposal of a Tangible Capital Asset must now be recognized and be accounted for under this new standard. These retirement obligations may come from legislation, “Promissory estoppel”, transactions or contracts that create legal obligations for retiring the Asset. For the liability of an asset retirement to be recognized it must meet the following at the financial reporting date:

- There must be a legal obligation to incur retirement cost of the tangible capital asset;
- A past event or transaction to the legal obligation, a transaction or new law passed;
- The Tangible Capital Asset must have future economic benefits that are given up;
- A reasonable estimate of the cost to be incurred by the legal obligation. Uncertainty does not remove the obligation.

Unlike an Asset Retirement Obligation, a Contaminated site differs as it is unexpected event that exceeds environmental standards. Liabilities arise from both direct and assumed responsibility and are applied under PS 3260. With the enactment of PS 3280, obligations related to landfills are now under its scope.

Following the recommendations of the Auditor, amendments to the City’s TCA Policy are attached for the Committee’s information. All proposed amendments are in red.

The proposed amendments have been provided to the Auditor for their comments as well. Feedback has not been received by the Auditor at the time of this report.

Alternatives:

This report is provided for the Committee’s information and feedback.

Recommended Action:

This report is provided for the Committee’s information and feedback

Budget Implications (Yes or No):

No

Submitted by:

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