

APPENDIX A

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FINANCIAL ADMINISTRATION ADMINISTRATIVE MANAGEMENT

<i>Section</i>	<i>Subject</i>	<i>Approved</i>	
Administration	Capital Asset Amortization	TBD	FA-08-001

PURPOSE

Corporate Administration policies govern several areas of accountability, including Capital Asset Amortization to ensure that amortization is assessed and recorded for reasonability and consistency by the staff of Metrolinx in Annual Financial Statements.

Policy FA-08-001 establishes principles and accountabilities' for the amortization of Capital Assets.

POLICY STATEMENT

To document the management of Metrolinx assets which are recognized, capitalized and re-valued in accordance with Generally Accepted Accounting Principles (GAAP) and this policy FA-08-001.

Staff have an obligation to ensure that Capital assets are managed efficiently and that decisions regarding the acquisition of new assets and the sale and maintenance of Capital assets are undertaken in an open and transparent fashion.

SCOPE

This Statement of Policy FA-08-001 applies to Corporate Affairs.

Recognition of a Capital asset:

A Capital asset is recognized in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost that can be measured reliably.

Measurement at recognition:

A Capital asset that qualifies for recognition as an asset shall be measured at its cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition and all other costs incurred in getting the asset ready for use. Where a Capital asset is acquired at no cost, or for a nominal cost, the cost is its fair value as at the date of acquisition.

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Capitalization of Capital Assets:

Capital assets should have a useful life of greater than one year in order for the expenditure to be capitalized and have a value above the materiality test. Materiality levels are set so as not to misstate Financial Statements and to provide a guide whether it is practical from an administrative perspective that the expenditure is capitalized.

Amortization Rates:

The amortization is based on the straight line method using the following rates:

- Leasehold Improvements- Over the lease term
- Computer Software- 5 Years (20%)
- Computers- 5 Years (20%)
- Phone System- 10 Years (10%)
- Photo Video Equipment- 5 Years (20%)
- Website- 3 Years (33%)
- Furniture- 10 Years (10%)
- Security system- Over the lease term

Materiality levels for capitalization on all Capital assets using the following thresholds:

- Leasehold Improvements- \$1,000.00
- Computer Software- \$750.00
- Computers- \$750.00
- Phone System and Headsets- \$500.00
- Photo Video Equipment- \$750.00
- Website- \$1,000.00
- Furniture- \$750.00
- Security system- \$1,000.00

Impairment of Capital Assets:

Capital assets will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use).

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Responsibility:

Corporate Affairs with the assistance of GO Transit's Accounting Department is responsible for:

- determining the most appropriate economic life of an asset group
- confirming the economic lives of asset groups through periodic verification studies
- calculating and applying amortization monthly
- maintaining all Capital asset amortization records

An inventory check of all Capital assets shall be conducted independently at least every two years.

Definitions:

A Capital asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Capital Asset Group - A group of assets that share the same characteristics, especially estimated economic life, and may be grouped together in one asset account.

Capitalize – The act of classifying the acquisition value of a major piece of equipment, building or other item of physical content as an asset in order that its cost may be spread over more than one fiscal period.

Capital Renewal – Renewing the existing Capital asset to extend its serviceability but not providing a higher level of service.

Capital Upgrade – Renewing the Capital asset, thereby providing a higher level of service.

Capital Expansion – Providing a new Capital asset.

Maintenance – Does not upgrade or renew the Capital asset, but just enables the Capital asset to attain its planned lifespan.

Amortization – The spreading of the acquisition cost of Capital assets over their useful economic lives. It is also referred to as depreciation.

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Fair value - The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Corporate Documents

ASSETS REGISTER:

A register of all assets shall be maintained by Corporate Affairs with the assistance of GO Transit's Accounting Department, and shall record individual assets in sufficient detail as to permit their identification and control. The assets register shall be updated at least annually. The assets register shall be used for the purpose of revaluing and depreciating assets and for inventory control.

REGISTER OF ATTRACTIVE PORTABLE ITEMS:

A register of items which are attractive and portable shall be maintained by the GO Transit Information Technology Department (IT) on behalf of Metrolinx Corporate Affairs for the purpose of controlling and safeguarding items which by their nature are at risk of loss.

An inventory check of such items shall be conducted at least every two years. Attractive portable items are items which are more likely to be subject to loss due to theft or misplacement and shall include items such as cameras, laptops, videos and communication equipment.

The justification for inclusion and separate identification in the register pertains to the assets qualities of portability and potential high risk of loss given their attractiveness.

Amortization Records:

- At the time of calculation, Corporate Affairs and the GO Transit Accounting and Information Technology Departments shall retain a record of the assets on hand to support the amortization calculations.
- A long-term record of all entries to the Accumulated Amortization Account for each asset group shall be kept by the GO Transit Accounting Department.