

PSAB/Asset Management

NEWSLETTER NO. 15

What's in Store

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MFOA/AMCTO has now published 15 newsletters relating to the new guidelines on accounting for tangible capital assets. With less than 18 months to the change-over, and following the first round of training sessions this past spring, it seems timely to review what might be appropriate topics for future publications. Also, the first questions are coming in to our on-line help service psab@mfoa.on.ca

We have also been asked to cover topics dealing with basic accounting concepts such as:

- accrual accounting,
- amortization
- materiality and an unqualified audit opinion.

Future Newsletters will cover these topics as well as detailed technical issues related to PSAB implementation.

From now until Christmas

The next few newsletters will review some of the basic issues of accounting for tangible capital assets. Examples of topics to be covered include:

- Capitalization thresholds - what is an appropriate level?
- Classification of assets - the first step to managing your asset inventory
- Aggregation and disaggregation of assets - what are the advantages and disadvantages of doing either?
- Asset pools - when and where are these appropriate? How should they be used?
- Consolidated statements - how will you deal with your agencies, boards and commissions? Do you consolidate their asset valuations too?
- Non-tangible capital assets - what isn't to be included in your asset inventory? How are these items to be handled?

To assist you in your own work, we will cover a lot of technical issues in more detail, such as how to identify and deal with different types of assets. First we will look at land, addressing issues such as

- How do I account for land, and how do I value it?
- How do I deal with road allowances?
- What about easements and right of ways?
- How do I handle cemeteries, both active and abandoned?
- What are the assets at landfill sites and gravel pits?

We will also look at infrastructure networks, such as roads, water, sewer, gas and electricity systems, and address how these can be handled for developing your tangible capital asset inventory. We will consider key questions, such as

- Do I simply treat the network as a single asset?
- If not, what are appropriate component parts?
- How do I deal with ancillary items, such as curbs, sidewalks, fire hydrants, access chambers, utility poles, pumps and so on?
- How do I analyze a road? Is it just a road, or do I consider the surface asphalt and the road base separately? And with or without curbs, sidewalks, etc?

As mentioned in an earlier newsletter, buildings will get special attention, as they will be a key part of your asset inventory. We will look at how you might inventory

- administrative buildings, such as town halls and police stations
- facilities with in-house services, such as daycare centres and homes for the aged
- facilities for outreach services, such as fire stations and ambulance stations
- major operating plants, such as water purification and sewage treatment plants
- special purpose buildings, such as pumping stations

Last but not least, we will look at all the equipment and tools that you and your staff use in carrying out your duties. How do you effectively inventory these? These can be anything from a bulldozer to a police service revolver.

Looking ahead

By this coming Christmas, we plan to have covered all aspects of identifying, classifying and documenting your asset inventory. Early in 2008, we will address many other issues, such as valuation and amortization, and what you will need to do to keep your asset inventory up-to-date after January 1, 2009.

We will also keep you abreast of further developments, such as revisions to the Financial Information Return and to the Municipal Act that relate to accounting for tangible capital assets. Finally, we will publish the questions and answers generated by our on-line Q&A service.

Good luck with your implementation of TCA accounting.

As always, we invite you to let us know if there is an issue that you would like to see addressed in the Newsletters. We are also interested in having our members submit anything that you come across with regard to tangible capital assets, financial reporting, asset management or long-term financial planning including any reports or presentations that you have given or prepared that could be of use to others.

For more information and resources regarding tangible asset management, go to [PSAB/Asset Management](#), or contact:

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