

PSAB/Asset Management

NEWSLETTER NO. 32

Two Important Announcements on Tangible Capital Assets

This Newsletter has been made available as a result of financial support from the Province of Ontario

PSAB releases Draft SORP for Comment

On May 16, 2008 the Public Sector Accounting Board (PSAB) issued a draft of a new *Statement of Recommended Practice (SORP)* on the [Assessment of Tangible Capital Assets](#).

The objective of the project is to issue a Statement of Recommended Practice that would:

- assist governments in reporting information about major assets that is useful in evaluating the government's financial condition and financial and non-financial performance;
- improve comparability and reliability of financial and non-financial information about major assets within and across governments; and
- establish specific definition, measurement, presentation recommendations for providing supplementary information about major assets.

The main features of the Draft SORP are as listed in the document:

- A government can choose to report only on individual, specific categories or groups of tangible capital assets.
- Reporting on the physical condition of tangible capital assets is information that does not necessarily have to accompany the financial statements. It could be included in a standalone report or in other public reports such as a budget.
- Information should, at a minimum, include the overall average physical condition rating, average age and useful life and the nature and extent of tangible capital assets in each category.
- Narrative information would include discussion of trends in changes in the physical condition and identify the basis of measurement and measurement scale used to assess and report on the physical condition of tangible capital assets.

The SORP is intended to apply to all governments and government organizations. PSAB is asking for comments on the draft SORP. The deadline for comments is July 31, 2008.

In particular, respondents are requested to provide a response to the following questions:

1. Are the issues related to reporting on the physical condition of tangible capital assets adequately addressed? If not, what changes would you make and why?
2. Do the recommended practices provide sufficient guidance for preparing a report on assessment of tangible capital assets? If not, what changes would you make and why?

For additional information on this project see [status and background](#) on the PSAB website. This is an important document and we encourage all municipalities to read it and provide comments to PSAB if you have concerns or issues.

Book Value Calculator Update

In 2000, the Department of Public Works and Government Services Canada (PWGSC) developed the Book Value Calculator (BVC) in response to the federal government's need to provide opening book values for all real property assets held by the government for the move to full accrual accounting, including accounting for tangible capital assets.

The federal government used the BVC to:

1. Determine 'Gross' and 'Net' opening book values, and remaining asset life for all real property assets using readily available information, and
2. Recognize and account for betterments that had been completed on real property assets (infrastructure, buildings, etc.) since they were originally built or acquired.

As we have noted in previous communications, PWGSC has undertaken to update the BVC for municipalities that will report on tangible capital assets for the 2009 fiscal year. This update is occurring in phases. PWGSC reports that it is in the final stages of preparing to launch Phase 2 of the [on-line BVC](#). This phase includes a fully functional BVC program that will allow interested municipalities to register and log-in to the site and be able to input the required data for up to 10 of their real property assets, free of charge and without any commitment. The BVC will calculate opening book values for these assets.

If you are interested in using the BVC to calculate the opening book values for all your real property assets, you will be asked to download the "BVC User Agreement." You will be required to sign and return the agreement by fax or mail, along with the quoted fee for your municipality. Once PWGSC has received the fee and the signed Agreement, the department will grant your municipality full, unrestricted use of the BVC.

At this point, municipalities are only able to enter the required individual asset data into the BVC manually. PWGSC is continuing work on Phase 3 of the project that will allow municipalities to input asset data electronically into the BVC. This will be a particularly important feature for larger municipalities that have a large number of real property assets.

You might wish to visit the [BVC website](#) to obtain further information and to find out if the BVC will be a useful tool for tangible capital asset accounting in your municipality.

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

Dan Cowin
Executive Director
MFOA
dan@mfoa.on.ca
Tel: 416-362-9001 x 223

Andy Koopmans
Executive Director
AMCTO
akoopmans@amcto.com
Tel: 905-602-4294 x 26NO

NOTE: This Newsletter is published to assist you with your implementation of tangible capital asset accounting and with related matters. The Public Sector Accounting Handbook is the only authoritative primary source on matters relating to GAAP, and you should consult with your auditor to resolve specific issues that you may have.