

PSAB/Asset Management

NEWSLETTER NO. 5

OMBI Releases PSAB Implementation Guide + Pilot Studies *by Dan Cowin, Executive Director, MFOA*

On February 15, OMBI posted the following important documents on its [website](#) related to the implementation of accounting for tangible capital assets. The documents will be an important source of information and guidance for municipalities as they prepare to comply with the requirements of PS 3150 for the 2009 fiscal year.

- OMBI, [Municipal Guide to Accounting for Tangible Capital Assets, Version 2](#), January 25, 2007
- OMBI, [Appendices - OMBI Guide To Accounting for Municipal Tangible Capital Assets](#), February 15, 2007
- OMBI, [Implementation of Accounting for Tangible Capital Assets - Pilot Studies](#), February 15, 2007.

The Municipal Guide to Accounting for Tangible Capital Assets

This new guide updates the original *Guide Version 1*, and provides links to the approved accounting standard PS 3150. It gives municipal finance officials and operational managers practical information and tools to inventory and value the TCA of the municipality. It is based on both the prescribed standards and the experience of the six pilot sites.

The stated goals of the guide are to provide information and tools to:

- Develop TCA inventories (i.e., define what assets a municipality controls).
- Apply initial dollar values to those TCA inventories (i.e., determine the opening recorded value of a municipality's TCA in accordance with PS 3150).
- Amortize the TCA over their remaining useful lives (to determine what costs to include in the cost-per-unit-of-service measures).
- Present considerations for the development of a municipal TCA Policy to manage TCA accounting in each municipality.

The guide also covers the following related topics:

- asset classification, division of assets and aggregation;
- thresholds for asset capitalization;
- disposals and write-downs; and
- reporting considerations

Appendices to the Guide

- Appendix A: Summary and definitions of primary asset categories
- Appendix B: Matrix of typical municipal assets classed by function
- Appendix C: Typical useful lives for selected municipal assets

Pilot Studies

This volume presents the reports or case histories of the six municipalities that served as pilots for inventorying and valuing tangible capital assets along the lines being promulgated by the Canadian Institute of Chartered Accountants' (CICA) Public Sector Accounting Board (PSAB). The six pilot study municipalities are:

- County of Brant
- City of Hamilton
- District of Muskoka
- Regional Municipality of Niagara
- City of Thunder Bay
- Regional Municipality of York

While OMBI's Municipal Guide provides the background and general methodology for the accounting changes, the Pilot Studies present the practical experiences of six municipalities that used the earlier version of the Guide to inventory and value their tangible capital assets. The Pilot Studies shed light on the organization and staffing necessary to implement this change, the types of information required and where to get it, and how one might address such key questions as:

- What is a capital asset?
- What is included, and what isn't?
- What are appropriate thresholds for inclusion?
- When is grouping appropriate?
- When is aggregation or disaggregating of assets appropriate?
- What is the cost of a capital asset?
- Is the historical cost known?
- Have there been changes or upgrades?
- If there are no records, how can a reasonable "historic" cost be determined?
- Is the approach taken acceptable to the municipal auditor?
- What is an appropriate amortization schedule?
- What is the useful or effective life of the asset?
- How does the value of the asset decline over time?
- Will there be a residual or disposal value?

Additional Resources and Training

We expect the OMBI Guide and Pilot Studies to be an important source of information for future PSAB Newsletters. Additional guidance will come from the overview manual being developed by the CICA with regard to tangible capital assets. Both documents will be featured prominently at upcoming training seminars being developed by MFOA and AMCTO in conjunction with partners at OMBI, OGRA and OPWA.

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

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