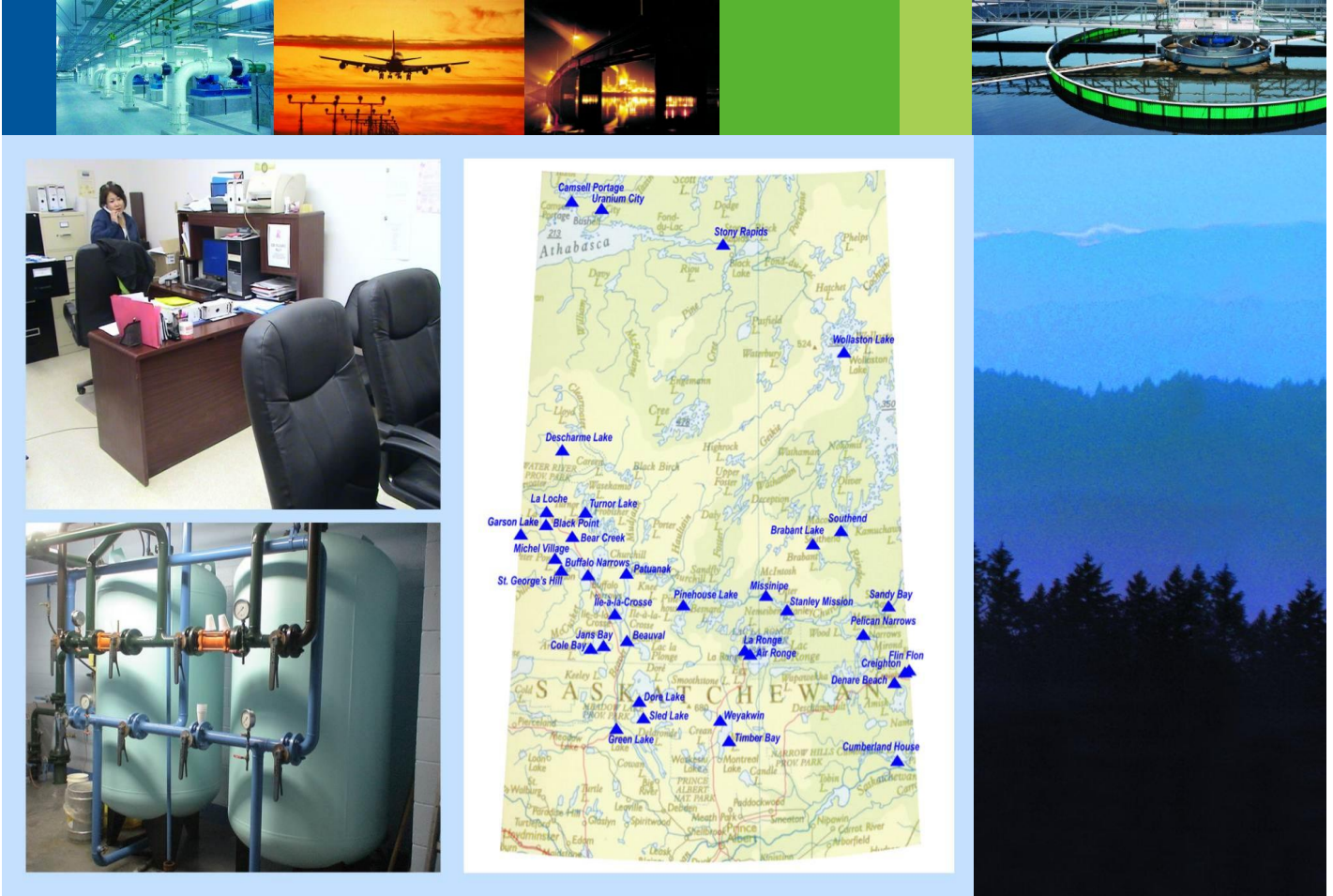


# Report

## Saskatchewan Ministry of Municipal Affairs

### PS 3150 Pilot and Development Project Summary and Strategy

September 2010



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## 1 Introduction

This document is provided in response to the specific reporting requirements outlined in the Request for Proposal # 3239, PS 3150 Compliance and Waterworks System Assessment in Northern SK, Municipal Asset Information System Implementation Pilot Project in Northern SK, and Municipal Asset Information System Development which was conducted by Associated Engineering, ATAP Infrastructure Management Ltd., Vemax Management Incorporated and TCA Consulting Ltd. from August 2009 until September 2010.

The requirements as specified in the supplied request for proposal and project stakeholder feedback at project meetings and workshops for this report are understood to be as follows:

- Discussion of challenges for continued PSAB compliance for the subject communities within the Northern Administrative District (NAD), in relation to the following:
  - Logistics for data capture and management for this project and going forward;
  - Information technology constraints and opportunities; and
  - Capacity building from the community perspective for continued PSAB compliance on an annual basis.
- Recommendations going forward for the maintenance and sustainability of project deliverables.
- Organizational, stakeholder and stewardship issues going forward in the creation of subsequent PSAB Tangible Capital Asset (TCA) registries
- Delineation of synergies or cooperative interaction between the PSAB register creation process and other core project deliverables.

This report should be considered as complimentary to two (2) other key reports delivered under the auspices of this project, namely:

1. Saskatchewan Ministry of Municipal Affairs, PS 3150, Tangible Capital Asset Approach and Methodology, September 2010, Associated Engineering (Sask.) Ltd.
2. Saskatchewan Ministry of Municipal Affairs, Asset Management Implementation Pilot and Development, Project Summary and Strategy, September 2010, Associated Engineering (Sask.) Ltd.

The first report outlines in significant detail the methodology and processes followed for the creation of PSAB TCA registries, for the guidelines and standards applied and for all of the required research and base information resources employed for their creation.

The second report contains specific information in regards to the creation of asset inventories in each of the communities for the support of the PSAB, WSA and Asset Management core deliverables. It also provides guidance moving forward in the sustainability of the resulting inventories and recommendations for their further development into a mature and evidence-based Advanced Asset Management System.

These reports are considered complimentary to two previous publications that explored the feasibility of the execution and sustainability of a project of this type, namely:

1. Saskatchewan Ministry of Municipal Affairs, Municipal Asset Information System (MAIS) Feasibility Study Report, March (2009), GHD
2. Saskatchewan Ministry of Municipal Affairs, Municipal Asset Information System (MAIS) Stakeholder Survey Summary Report, February (2009), GHD

In the interest of brevity and clarity, this report does not duplicate the content of any of the previous reports, however does build on the collective experiences of the project team in the development of these reports and the project deliverables. In particular, the functional aspects and more importantly differences with respect to the PSAB and Asset Management processes as planning tools are included within the complimentary Asset Management report provided under separate cover. This discussion has not been replicated in this report.

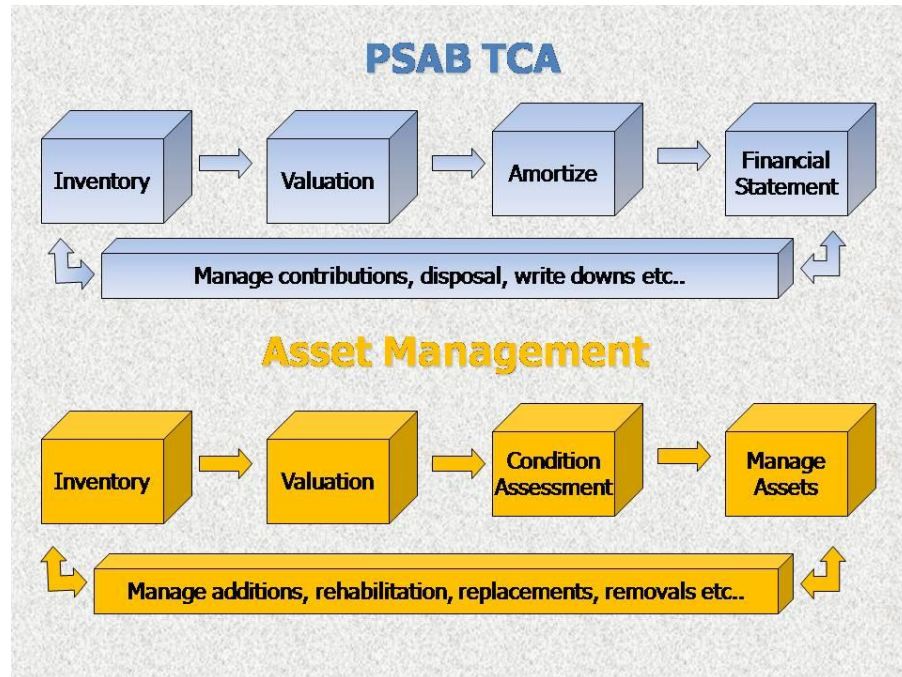
Where possible and appropriate, feedback from community stakeholders has been included from the training sessions conducted as part of this project and also from those conducted by the project team under the auspices of SUMA's efforts in this regard.

## 2 Background

Associated Engineering (Sask.) Ltd. as lead consultant and in conjunction with ATAP Infrastructure Management Ltd., Vemax Management Incorporated and TCA Consulting Ltd. was retained by the Saskatchewan Ministry of Municipal Affairs in July of 2009 to provide consulting services for the deliverables as outlined in the request for proposal solicited from the Saskatchewan Ministry of Municipal Affairs for PS 3150 Compliance and Waterworks Systems Assessment, MAIS Implementation Pilot, and MAIS Development for Northern Saskatchewan.

It is understood that although the core components of the project differed in regards to their business and/or functional end use they all required a base set of infrastructure and non-asset infrastructure asset information for their production.

This synergy from a supporting data perspective is illustrated in the following graphic which outlines the key components of the business process required for both asset management and PSAB and their continued requirements for sustainability.



Both the Asset Management and PSAB components of this project were made possible via the creation of a central project database or “asset register” that exploited the synergies between the data required for each deliverable.

The “asset register” consists of a non-proprietary database which houses core asset values employed by both processes and a number of extensions that have been purpose-built to store and report on financially specific information for the creation of TCA Registers and continuity schedules. The database also houses all necessary financial variables and indexes in regards to amortization, depreciation and inflation.

This approach allows for the most effective use of resources at the community or author level by allowing for the maintenance of one central “asset register” for the provision of accurate output for both business end uses.

Deployment of the information resources in a disparate and/or distributed fashion going forward would negate these efficiencies and may lead to both a fragmented data maintenance approach and the creation of two inconsistent sources of information. As indicated in the preceding graphic, both processes’ core needs are focused on the effective tracking of asset additions (acquisitions), disposals (retirement, decommissioning), and betterments (rehabilitation). Given the obvious

impact of these activities on each process, consideration should be given to developing the harmonized approach presented.

The PSAB component of the project involved the production of the following iterative and complimentary deliverables:

1. TCA Policy Statement for each of the 36 communities;
2. Methodology consistent with current and amended additions of the Saskatchewan Tangible Capital Asset Manual;
3. Refined and upgraded Microsoft Excel-based populated Tangible Capital Asset Register for each of the 36 communities;
4. Interactive training workshops for community stakeholders; and
5. Tangible Capital Asset Approach and Methodology Report.

The above provided a comprehensive approach and set of deliverables for fulfillment of the deliverables prescribed in the supplied Request for Proposal document and supplied all the necessary resource materials.

It should be noted that the approach taken to the delivery of this project is consistent with AE's ongoing philosophy of providing transparent and non-proprietary deliverables in the interest of sustainability.

The following sections, in conjunction with all the noted resource material, explore the challenges and possible solutions for the sustainability and possible refinement of the PSAB-based deliverables that resulted from this project.

In the interest of brevity and clarity, the project team has attempted to avoid duplication of material presented in the complimentary reports and the reports of others which reinforce the need for a coordinated approach to the Asset Management and PSAB deliverables.

In addition, the project team assumes that a summary overview of the PSAB process and requirements is not required given its inclusion in the supplied complimentary material.

### **3 Challenges and Solutions**

The PSAB component of this project presented several logistical, organizational and community capacity issues. The project team believes that a significant number of these challenges have already been addressed, from a capacity perspective, through the project deliverables, however a

portion remain that require action by the stakeholder groups from community through provincial government levels.

Please note that not all commentary provided in this report will apply in all communities for which TCA registers were provided.

### **3.1 Community Understanding**

The project team received considerable feedback from the 36 communities for which a TCA Register and training was provided. The majority of the feedback consisted of the overall reluctance to add the PSAB reporting requirements to a perceived existing long list of community priorities for which a majority of communities believed that they lacked the necessary resources.

Interestingly, a significant percentage of the municipal administrators believed the PSAB accounting changes to be primarily driven by the Province of Saskatchewan and were unaware that the original source of these requirements is, in fact, the Chartered Accountants of Canada, formerly the Canadian Institute of Chartered Accountants.

The PSAB initiative was regarded, based on the feedback obtained, as another reporting requirement whose tangible value to the community from an infrastructure planning and/or financing planning perspective is perceived to be limited. Presumably, if this attitude exists at the staff or line department level, it is also assumed that this mind set also exists at the administrative and political levels.

This prevailing attitude was despite the fact that a number of staff with whom the project team had interaction had attended the SUMA delivered training sessions on the requirements of PSAB and importance of Asset Management for sustainability.

The project team did endeavour, at every juncture and where possible, to reinforce the concepts presented at the earlier training exercise with a modicum of success. The requirement whereby municipalities are to report Tangible Capital Assets (TCA) on their statement of financial position, effective January 1, 2009 was perceived to be primarily driven by the Provincial Government despite education to the contrary.

### **3.2 Capacity Understanding of Accounting Fundamentals**

Project staff in delivery of the training programs realized that a significant portion of the administration staff in the subject communities lacked a full understanding of accounting and full accrual accounting fundamentals required to develop their PSAB statement. Significant effort was expended in providing instruction of base or fundamental accounting principles during the sessions. In fairness to the administration staff of these primarily smaller locales, their instruction in this regard was limited to two days of training provided on the subject by this and the SUMA educational sessions respectively.

It is assumed at this point in time that the Northern Municipal Trust Account has provided the majority of the financial reporting assistance for the communities that fall into this demographic however there is a clear need for the augmentation and reinforcement of the understanding of full accrual accounting fundamentals in a majority of the communities.

### **3.3 Available Tools, Technology and Reporting Standards**

Tools available for production of the requisite values for PSAB PS 3150 reporting in the North are generally defined as the Excel-based Saskatchewan TCA Register and various accounting packages which communities may have opted to purchase prior to the introduction of the free Excel TCA Register.

Significant challenges will exist in the maintenance of the proprietary packages going forward in that communities may be forced to maintain two sources of information for a common goal.

Comments were received by the project team in reference to the maintenance of two asset listings in separate systems and the complications involved in keeping the data sources synchronous. An additional complication arises in the proprietary systems when source asset inventory information cannot be easily extracted for use in infrastructure asset management planning.

As alluded to in the complimentary Asset Management report, the project team approached the primary provider of said proprietary software for assistance in reaching a common ground with respect to the integration of the source inventory data from NMAV (Northern Municipal Asset Viewer) with their applications. To date the cooperation in this regard has been limited.

The reality of this challenge is that the TCA register, evidenced by its widespread use provincially, provides all the necessary functionality for financial reporting for PSAB albeit in a non-proprietary and simplistic form (Excel spreadsheet). The introduction of third party or commercial software adds another layer of complexity in regards to the sustainability of both the PSAB and Asset Management data repositories.

As alluded to in accompanying reports, the support of the TCA register from a resource centre and technical perspective could be made considerably more efficient via the use in each community of a standard version and release of Microsoft Excel.

A key consideration going forward for governmental and advocacy groups is the output from municipalities, more specifically the TCA registers, and the ability to aggregate them for the provision of base infrastructure statistics. Failure to harmonize this output will make the input or aggregation of this data at the upper-tier a resource-intensive exercise.

A possible solution to this issue is the construction of a suitable data interchange template and/or format to which third party providers of software can comply. Presumably, Saskatchewan Ministry

of Municipal Affairs by virtue of their considerable interaction with communities has a reasonable handle on the prevailing or preferred third-party vendors of PSAB TCA or “fixed asset” accounting packages currently in use by communities who have opted not to employ the Excel-based Saskatchewan TCA register. Consideration should be given to the determination of standard data interchange format via the engagement of these vendors at the outset of the process. Failure to standardize this output at the community level will significantly impact the value of the information from statistical and analysis perspectives going forward outside of the Asset Management initiative.

### 3.4 Staff Resources

Many of the communities encountered lacked staff resources for the production of their TCA registers and furthermore the sustainability of this accounting function. It is understood that presumably the NMTA will continue to render various levels of assistance in this regard going forward depending upon the community demographic and available resources.

In the remaining communities, the reinforcement of the base concepts of full accrual accounting is required along with additional training to institutionalize the requirements of PSAB in the normal day-to-day business workflow.

To ensure the communities in the project area are able to continue to produce their annual PSAB statement, a regional approach should be considered where each community is provided additional assistance in this regard.

### 3.5 Education and Resource Material

Education in regards to PSAB and the delivery of available resource materials appears to be somewhat fragmented with a number of organizations providing training opportunities and resource materials. Serious consideration should be given to the unification of both training delivery and resource material content in the interest of providing a unified message to communities at the provincial level. Currently and partly due to the deliverable produced by virtue of this project, there are several inconsistent versions, essentially the same resource material, being provided. These include but are not limited to the following:

1. Saskatchewan TCA Register
  - a. SUMA [www.sasktca.ca](http://www.sasktca.ca) version (November 2009)
  - b. Modified version being offered and circulated in different forms by third-party providers (Vintage unknown)
  - c. Current refined and optimized version for this project (July 2010)
  
2. TCA Methodologies and Approach
  - a. SUMA
  - b. Municipal Affairs for Northern Hamlets previous approach

- c. Revised methodology resulting from this project (August 2010)
3. Valuation and Approach
- a. Pilot projects [www.sasktca.ca](http://www.sasktca.ca), (September 2009)
  - b. Initial valuation instruction, SUMA training. (2008 – 2009)
  - c. Valuation approach from this project (July 2010)

The above illustrates the need for a centralized approach and, more importantly, the delivery of uniform resources for communities across Saskatchewan. A suitably-constructed web resource preferably administered, updated and deployed by a business centric group would provide a resource-efficient and, more importantly, standardized reference material for interested communities on a provincial basis. In addition, standardization of reporting and methodology materials will increase the comparative value of the output for PSAB and analytical purposes.

Consideration should be given to the immediate realignment and harmonization of this and other material between SUMA, SARM, SMMA, NMTA and other stakeholder and advocacy organizations prior to the introduction of any additional training in this regard to ensure consistency in approach and output.

A significant portion of the communities visited as a result of this project will require additional iterative and systematic training in regards to the fundamentals of municipal finance and full accrual accounting to achieve a sustainable and more importantly repeatable PSAB output for their financial statements. Again, this training ideally needs to be delivered in a unified fashion from what is perceived to be an authoritative and single source for training, support and resource material.

It is conceivable that the delivery of these services and resources could be accomplished, in the context of the North, on a regional basis by the NMTA. It is unclear at present however whether the NMTA currently has sufficient resources to accomplish address full support of this initiative in the short term. Again the administration and maintenance of the information provided by this project will require documented standards and business workflows in order to be sustainable.

### **3.6 Record Keeping and Reporting Standards**

Much of the significant effort associated with the research required for the delivery of historical costs for the purposes of PSAB has been overcome by the project team given the top-down delivery mechanism for this project. Moving forward, suitable business processes and standard templates for the delivery of required financial values at prescribed levels of granularity will be required for community staff and external service providers.

Significant effort was expended by the project team staff in the extraction of useful information for PSAB valuation purposes from contract, tender and progress payment documentation provided by others. It is imperative that suitable standardized resource materials be provided for use by communities in the delivery of information from external service providers to both reduce effort and

to ensure consistency in reporting. Templates should be provided for those asset classes that are considered to be complex by virtue of the delivery method of the information i.e. infrastructure replacement, facility replacement etc.

### **3.7 Realizing and Retaining Value for Asset Management**

The project team realized early on in the process of data collection that the harmonized approach to the delivery of the Asset Management and PSAB components was indeed resource-efficient in that significant value could be recognized via the collection of Asset Management and infrastructure planning centric values in concert with the research and data required for PSAB. Suitable examples of this concept are but are not limited to the following:

1. Link or URL to reference drawing, manual etc..
2. Vendor , model #
3. Date of warranty expiry
4. Location, x,y,z,

The NMAV database contains several tangible examples of the value of the concept of a harmonized research and standard deliverable approach to data collection. This coordinated approach and demonstrable examples of the value of the information collected that is considered ancillary to the PSAB process needs to be reflected within future training programs and complimentary resource materials.

### **3.8 Auditor Involvement**

Auditing firms played and will continue to play a crucial role in the delivery of future financial statements. The derivation of a common understanding of the delivery mechanism employed for the purposes of this project within the auditor community and the continued engagement of the auditor community will aid in the streamlining of community and auditor interaction.

Derivation of a common understanding of the process via annual or semi annual training sessions will also provide a vehicle by which changes to the process can be conveyed in an effective and transparent manner. These venues will also aid in the solicitation of feedback from auditors on community compliance and any or all common issues or impediments at the community level. This will further the stakeholders understanding of systemic and community specific issues for which presumably appropriate material can be provided via a centralized resource centre.

### **3.9 Service Providers**

The project team is keenly aware that a number of service providers are rendering services with respect to both Asset Management and PSAB throughout the Province. It is unclear at this point in time whether the standards provided for PSAB are being uniformly applied by those rendering services. There appears to be no front-end mechanism for ensuring the uniform delivery of these services to applicable standards. The vetting of results from these providers in most cases is left to

individual auditors who determine on a case-by-case basis the applicability of the material to the Provincial and Chartered Accountants of Canada (CAC) standards.

This perceived issue, given the project team's lack of access to individual statements provided by others, should likely be examined at the Provincial level for uniformity in the interest of maintaining the comparative value of the submitted data sets.

In the interest of clarity this process is not intended to police the content of the submissions, but to gain a better understanding of the value of the information being submitted.

### **3.10 Current and Ongoing Compliance**

The project team, in the interest of providing a more comprehensive picture of overall compliance, has solicited comment from stakeholders outside of the immediate project group as to the compliance with the requirements of PS 3150 on a provincial basis. These stakeholders are generally defined as the Ministry of Municipal Affairs and the Saskatchewan Urban Municipalities Association who are currently rendering training, resource materials and support services to communities on a provincial basis.

Overall compliance with the requirements of PSAB is estimated to be very high on a provincial basis. It is unclear at this point in time whether "compliance" is classified as acceptance of the audited financial statement or simply the production of a PSAB-compliant TCA register. In any regard, the compliance rate although anecdotal at this point, appears to be encouraging relative to the experiences and status of efforts in other locales for a smaller community demographic.

Clearly, the effort put forth in the education of both the mechanics and the importance of PSAB relative to the ongoing sustainability of community tangible capital assets is resulting in increased compliance rates. This effort and those of others should be maintained in the future via the provision of appropriate funds and resources to ensure the sustainability in the perceived compliance rate.

Significant attention now needs to be paid to the leverage of this momentum, which has been achieved at considerable cost and effort, into educating communities of evidenced-based infrastructure asset management and ultimately the effective stewardship of all community capital assets.

### **3.11 Reporting Impacts at the Community Level**

Up until the production of a TCA register, many of the communities did not possess a fundamental knowledge of the value of their infrastructure complement and an estimation of its life state or remaining life.

It is reasonable to assume that the production of PSAB registers will precipitate an increased understanding of municipal infrastructure needs, albeit at a gross level, and will result in increased pressure for funding of the perceived infrastructure gap in each community. A mechanism and materials should likely be put in place to address this issue prior to this to ensure that what are essentially broad-based life assumptions use in PSAB are not applied at the community level as a quasi asset management system. Education in regards to the inclusion of condition, method of construction, past failure rates and actual serviceable life versus value needs to be provided. This again reinforces the need for a harmonized approach to the Asset Management and PSAB core objectives given their interdependence.

Throughout this project the value of the required underlying inventory was examined from the gross requirements of PSAB in conjunction with the level of inventory required to “manage” assets from a risk and consequence of failure perspective. The distinction of value from a monetary versus end-use customer perspective needs to be stressed in any future inventory augmentation efforts in this regard.

## 4 Summary and Conclusion

The information contained in this report provides a unique insight into both the challenges and possible solutions for continued PSAB compliance both within the project area and in the broader context of the Province.

Significant efforts have been expended by provincial agencies, advocacy groups and the project team in achieving compliance for the communities within the NAD and on a Provincial basis. In order to sustain this momentum, this initial effort needs to be reinforced by a unified support system, approach and set of resource materials. This unified approach will also ensure the consistency in reporting will decrease indirect costs relative to the audit process of the information and will increase the comparative value of the data in aggregate form.

## 5 Acknowledgements

The project team would like to acknowledge the following individuals for their valuable insight, contribution of information and their guidance during this most challenging project.

Project Steering Committee:

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Doug Gailey	Vice Chairman / Administrator - Northern village of La Loche
Jim Bogard	Administrator of the NMTA Board
Terri Daniels	Member / Chairman – Northern Settlement of Wollaston Lake
Bev Wheeler	Member / Administrator – Northern Village of Denare Beach
Bobby Woods	Member / Mayor – Northern Village of Buffalo Narrows
Eugenie LaFleur	Member / Administrator - Northern Hamlet of Dore Lake
Jackie Kennedy	Member / Alderman – Northern Village of Green Lake
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## **Appendix A - Community PSAB TCA Policy**

# REPORT

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## Tangible Capital Asset Policy Template Municipality of \_\_\_\_\_

Name: Tangible Capital Assets Accounting

Policy: # \_\_\_\_\_

Applies to: All Departments

Responsibility: Treasurer

Approved by Council: Date: \_\_\_\_\_ Resolution #: \_\_\_\_\_

### **Purpose**

The purpose of the policy is to provide direction for recognizing and recording Tangible Capital Assets (TCA) on a consistent basis and in accordance with Public Sector Accounting Board (PSAB) PS 3150.

### **Tangible Capital Asset**

*Tangible Capital Assets (TCA) are non-financial assets having physical substance that:*

- a) are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;*
- b) have useful economic lives extending beyond one year;*
- c) are used on a continuing basis; and*
- d) are not for resale in the ordinary course of operations. (PS 3150.05)*

The objective of the TCA Policy is to prescribe the accounting treatment for tangible capital assets so that users of the financial report can discern information about the investment in Tangible Capital Assets and the changes in such investment.

The principal issues in accounting for TCA are the recognition of the assets, the determination of their carrying amounts, and the amortization charges and the recognition of any related impairment or disposal losses.

### **Recognition of Tangible Capital Assets**

Tangible capital assets (TCA) are assets having physical substance that are used on a continuing basis in the municipality's operations, have useful lives extending beyond one year and are not held for resale in the ordinary course of operations.

TCA are acquired, constructed, or developed assets and have the following characteristics:

- ownership and control clearly rest with the municipality; and
- the asset is used to achieve government objectives.

The following will help determine whether an asset is a TCA:

- Include Land, buildings, infrastructure assets (roads and water network), vehicles, purchased computer software, in-house developed computer software, computer hardware, tools, furniture, equipment, leasehold improvements, and assets acquired by capital leases or by donations;
- Include operational heritage assets such as -----.
- Do not include non-operational heritage assets such as museum and gallery collections, other works of art, archives, archaeological sites, ruins, burial sites, monuments, and statues;
- Do not include intangible assets such as copyrights, trademarks, patents, easements and rights-of-way.

### **Recognition of Tangible Capital Assets Carrying Amounts (Cost)**

The cost of TCA includes the cost of any asset that has been acquired, constructed, or developed with the intention of being used and normally consumed in operations which achieve government objectives.

TCA also include betterments. Betterments are expenditures relating to the alteration or modernization of an asset that appreciably prolong the asset's period of usefulness or improve its functionality.

### **Threshold**

#### **Capitalization Thresholds**

Only TCA that exceed the asset class threshold will be capitalized. The following are the thresholds that are being used to develop the initial TCA listing.

- Any individual item that meets the definition of a Tangible Capital Asset with a cost of \$5,000 or greater
- A pool of assets that meets the definition of a Tangible Capital Asset, that was purchased in bulk and has a replacement cost of \$25,000 or greater in any given year

- Due to the nature of some assets, the threshold will be \$0. Examples are all land, all vehicles, all roads, all water pipe segments, etc. would be recorded.

Once the initial TCA listing has been prepared and in subsequent years, it will be reviewed to determine whether or not the threshold should be raised.

### **Capitalization of Interest Costs**

The municipality does not capital interest costs incurred during the construction or development of TCA.

### **Estimated Useful Life**

Expected useful life is normally the shortest of the asset's physical, technological, commercial and legal life and is based on its use by the municipality. In determining an asset's useful life the present condition, intended use, construction type and maintenance policy will be considered, including how long the asset is expected to meet service demands and the municipality's experience with similar assets.

### **Amortization**

The cost, less any residual value of a TCA with a limited life will be amortized over its useful life using the straight line method. The amortization method and estimate of useful life of the remaining unamortized portion will be reviewed on a regular basis and revised when the appropriateness of a change can be clearly demonstrated.

Amortization begins in the year after acquisition as it will be after year end that the full cost of putting the asset into service will be known.

### **Transfers of Assets**

Transfers of TCA between departments will be recorded at the net book value of the asset. The receiving department will record both the asset at its original historical cost and the accumulated amortization.

Transfer of assets from outside the municipality to the municipality will only be capitalized as a TCA when the agreement provides for the transfer of ownership.

### **Disposal of Assets**

When TCA are taken out of service, destroyed or replaced due to obsolescence, scrapping or dismantling, the Operating Department must notify the Finance Department of the asset description and effective date of the disposal.

Assets will be retired from the accounts of the municipality when the asset is disposed of. The gain or loss on disposal will be calculated as the difference between the proceeds received and the net book value of the TCA. The gain or loss on disposal will be recorded in the accounts of the Operating Department.

### **Capital Leases**

A lease will be recorded as a TCA and an offsetting liability when it meets the test for a capital lease as defined by PSAB. PSAB uses a “benefits and risks” approach to assessing if a leased asset should be treated as a capital lease. If the “benefits and risks” of the asset are essentially transferred to the municipality (the lessee) then the lease is a capital lease and the leased asset is a TCA if it exceeds the municipality’s threshold.

### **Write Downs**

A write down is used to reflect a permanent partial impairment in the value of an asset. This impairment may be as a result of:

- Removal of the asset from service
- Physical damage
- Significant technological developments
- A decline in or cessation of the need for the service provided by the asset
- A change in the law or environment affecting the asset usage

If the value of an asset is impaired, the cost of the asset will be written down to reflect the decline in the asset’s value and its shorter useful life. This write down is considered a loss (expense) in the accounts of the Operating Department.

**Transition**

All TCA in the municipality will be inventoried and valued as of December 31, 2007. The TCA Continuity Schedule will be used to track 2008 additions and disposals. The accounting for TCA is effective January 1, 2009 at which time TCA will be recorded in the municipality's financial system