

Tangible Capital Assets Project Newsletter

January 2007

Number 2

Future Key Dates

- * Liaison Committee
February 8, 2007
March 8, 2007
- * Newsletter Number 3
April 2007

GFOA Regional Workshops

The sessions will include a review of tangible capital asset requirements, discussion of technical issues, and tips for preparing an implementation plan.

March 27, 2007
Grande Prairie

March 28, 2007
Morinville

March 29, 2007
Stettler

April 2, 2007
Cochrane

April 3, 2007
Lethbridge

Registration forms will be available on the GFOA website soon!

Tangible capital assets... so much to do, so little time!

Whether or not municipalities are ready, the new standard for accounting for tangible capital assets is coming, and it is coming fast.

This second installment of our newsletter series focuses on how the work is progressing on this issue and on what your municipality should be doing now to get ready.



Talk to Your Auditor

Your auditor will play a key part in helping your municipality with the implementation process. Because every auditor must maintain professional independence there are certain limitations on how the auditor can be involved.

- Your auditor **can** assist in developing plans to implement the requirements.
- Your auditor **cannot** be directly involved in the valuation process or in data gathering.

Discuss the requirements and the impact on your municipality with your auditor as soon as possible.

Determine the best approach on how you can work together to get the project off the ground. In your discussion, let your auditor know about the work being done at the provincial level to assist

municipalities and auditors in meeting the tangible capital asset requirements.

As you plan your project approach, ongoing communication with the auditor will help to avoid problems down the road.

For example, the source of information and expertise for asset valuation will be an important requirement for the auditor. The amount of the audit fee will be impacted by the amount of work completed by the municipality, the quality of the work done and the new accounting systems implemented.

Project Status Update



The Government Finance Officers Association has established a task force.

The Government Finance Officers Association of Alberta set up a special project task force whose members have been working for several months on implementation and go-forward issues. The research and analysis undertaken by the volunteer members of the task force has now produced some impressive results. Recommended guidelines in the following areas were recently adopted by the association's board of directors:

- Major Asset Classifications
- Detailed Asset Listing
- Useful Life and Amortization Methods
- Capitalization Thresholds
- Determining Resource Needs
- 2007 Note Disclosure

Task force members are continuing to work on other critical areas including assessing the

impact on balanced budget legislation and studying the necessary financial reporting changes.

Five regional workshops have been scheduled for March and April in various locations around Alberta.

Check the GFOA website for more information on the workshops and the recommended guidelines.

Contact Municipal Affairs and Housing — Financial Advisory Services at (780) 427-2225 if you have any questions. Dial 310-0000 to call toll-free within Alberta.

Valuation Matters

An important point to note is that the historical valuation of tangible capital assets will be a balance between making reasonable estimates and assumptions on the original cost to meet the audit requirements, and understanding that the initial implementation process is not an exercise in precision. It is much more important to be accurate on a go-forward basis than it is to obtain exact costs for older assets.

Infrastructure Assets

Tangible capital assets, including roads, bridges and utility infrastructure, must be recorded at historical cost. Municipal Affairs and Housing is considering what practical approaches might be taken to assist municipalities to estimate the historical cost of this type of infrastructure. Further details will be provided as soon as available.

Bridges and Culverts

The provincial government adopted the Public Sector Accounting Board reporting standard for tangible capital assets several years ago. At that time, staff at Alberta Infrastructure and Transportation (AIT) calculated the historical cost of many bridges and culverts in Alberta.

Municipal Affairs and Housing is coordinating a plan with AIT to make this information available to assist in determining values for any bridges and culverts for which municipalities have management responsibilities.

A tangible capital asset is:

"A significant economic resource managed by governments and a key component in the delivery of many government programs."

This definition includes items such as roads, buildings, vehicles, equipment, land, water and other utility systems, aircraft, computer hardware and software, dams, canals and bridges.



Things That You Should Do Now

Stay Informed:

- Continue to become more knowledgeable about the specifics; conference and workshop presentations and other communications over the past several months have increased general awareness of the tangible capital asset requirements.
- Attend information and training sessions that will be offered by the Government Finance Officers Association and Municipal Affairs and Housing throughout the upcoming months. Sessions will be advertised on both the association's and the Ministry's websites.
- Visit other websites for information.

Develop a Plan:

- Include internal stakeholders (Department Heads, Public Works and IT staff)
- Establish threshold levels (dollar amounts to be capitalized)
- Determine the information to be gathered
 - * Description of asset
 - * Location of asset
 - * Department responsible for asset
 - * Other identifiers (i.e. serial number)
 - * Date of purchase and/or placed into service
 - * Manufacturer/supplier of asset
 - * Estimated purchase price or copy of invoice
 - * Life expectancy
 - * Disposal value
 - * Replacement cost
- Discuss the plan with your auditor
- Determine computer software requirements (i.e. inventory database)
- Budget for dollars and time that will be required for this multi-year project.

Start to Implement Your Plan:

- Start with one or two asset categories -- review the asset classification listing and choose an appropriate category to begin with. For example, plan to complete the inventory and valuation of vehicles and buildings by the end of 2007.
- Determine the best source to access information.

Web Links

Government Finance
Officers Association of
Alberta

www.gfoa.ab.ca

Alberta Municipal Affairs
and Housing

www.municipalaffairs.gov.ab.ca

Association of Municipal
Managers, Clerks and
Treasurers of Ontario
(AMCTO)

www.amcto.com/db/assetmgmt.asp

Ontario Municipal
Benchmarking Initiative

www.ombi.ca

Canadian Institute of
Chartered Accountants

www.cica.ca