

# Tangible Capital Assets Project Newsletter

October 2006

Number 1

## WHAT IS A TANGIBLE CAPITAL ASSET?

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.

**Alberta Municipal Affairs and its stakeholder groups are working hard to make sure Alberta municipalities have the tools and knowledge to successfully implement the Tangible Capital Asset requirement.**

## New Requirement for Recognition of Capital Assets will Apply in 2009.

### What is it all about?

In 2002, the Public Sector Accounting Board (PSAB) released a research report - *Accounting for Infrastructure in the Public Sector*. A key recommendation of this report is that municipalities should record and report their capital assets in their financial statements, including information on the condition of those assets.

The Canadian Institute of Chartered Accountants (CICA) recently approved a recommendation to require local governments to recognize capital expenditures as capital assets and to amortize (depreciate) them over their expected useful life.

This recommendation is effective for the 2009 reporting year. Regardless of the lead time, it is important to begin preparations well in advance to meet this deadline.

### Potential benefits of the new requirement

Compliance with this requirement will require time and money. However, PSAB has identified some potential future benefits of all this work.

- Better asset management
- Improved data to support funding needs and to explain the level of taxes and user fees
- Improved capital planning and data for reporting



The CICA sets accounting, financial reporting and auditing standards in Canada. The PSAB, a board of the CICA, is responsible for setting the accounting and financial reporting standards for all levels of government in Canada.

- ‘First step’ to building a corporate infrastructure strategy and determining the value of your municipality’s infrastructure deficit
- More accurate cost of capital items and improved transparency in reporting.

It will take the appropriate priority and effort of each municipality to maximize these benefits and their return on the time invested.

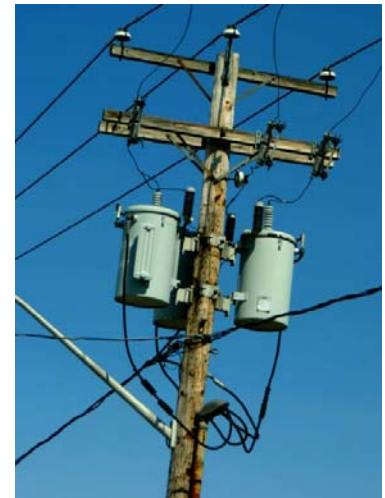
## What is happening now?

Although the CICA requirements do not go into effect until 2009, municipalities should start planning now. Implementation will have significant implications for municipalities and will take a considerable amount of time and money. To assist with this process, a quarterly newsletter will be sent to each municipality providing:

- Recommendations for implementation
- Training updates
- Schedule of events and deadlines.

## The role of Alberta Municipal Affairs

Identifying, recording, reporting, and determining the value of municipally owned tangible capital assets will be a large task. Alberta Municipal Affairs is facilitating and sponsoring the tangible capital asset project to support municipalities and to ensure that all matters are addressed in a timely manner with a collaborative approach. Stakeholders are being included in this project, which involves research, developing documentation, training municipal staff, and completing an implementation manual.



Utility systems are a tangible capital asset.

## Things that you should do now

1. Become informed
2. Develop a plan
3. Budget in 2007
4. Inform the organization

### 1. Become informed

Senior administrators should become informed on the basics of the requirement and inform their council accordingly.

### 2. Develop a plan

Begin to plan this project in 2007. Additional information on planning will be provided in future newsletters and training sessions, but it is important to get this project into your current business plan as soon as possible. Starting this project in 2009 will be too late and starting it in 2008 may still create unnecessary problems for your municipality.

### 3. Budget in 2007

Resources will be required for this project including staff time and possible software enhancements. These costs should be considered in determining your 2007 budget requirements.

### 4. Inform the organization

Discuss this project with all your stakeholders including council, senior management, municipal departments, and your auditor.

## Communication

Equipment, computer hardware, land, and bridges are also tangible capital assets.



### 1. Liaison committee

A Liaison Committee has been established with representatives from the Alberta Urban Municipalities Association, the Alberta Association of Municipal Districts & Counties, the Local Government Administration Association, the Alberta Rural Municipal Administrators Association, the Government Finance Officers Association and Alberta Municipal Affairs. This committee meets monthly to:

- Provide updates on the project's status
- Identify matters that should be addressed
- Prevent duplication
- Ensure there is a consistent message to the stakeholders.

### 2. Communication plan

A communication plan has been developed to provide information to all of the stakeholders including elected officials, chief administrative officers, finance staff, professional accounting associations, auditors, and the provincial government.

Information will vary according to the level of decision making authority, expertise on the subject, and the role in the implementation plan.

This newsletter will be the main method of communication. 'In-person' presentations will be made as required and requested.

The Liaison Committee will also be used as a resource for good communication.

Contact Financial Advisory Services at 427-2225 if you have any questions.

### 3. Future key dates

#### Liaison Committee Meetings

November 9, 2006 and December 14, 2006

#### Project research completed and Newsletter Issue No. 2

December 31, 2006

### 4. Contact

Financial Advisory Services at (780) 427-2225, or toll free at 310-0000, if you have any questions.