

# Capital Asset Management

Finance Committee Meeting

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# Capital Asset Management

Two distinct projects:

- Financial accounting for tangible capital assets
- Asset management

# Public Sector Accounting Board (PSAB)

- Independent body with authority to set accounting standards and provide guidance for financial and other performance information reported by government.
- Standards specify how transactions and other events are to be recognized, measured, presented and disclosed in government financial statements.

# Tangible Capital Assets PS 3150

- Requirement for municipalities to report tangible capital assets at a value that reflects historical cost less accumulated depreciation on statement of financial position.
- Historically, the cost of capital assets was expensed in the year of acquisition.
- Must comply with the publication of 2009 financial statements.
- Largest accounting change for municipalities in decades.

# Asset Management

## Definition

“an integrated approach involving planning, engineering and finance to effectively manage existing and new infrastructure in a sustainable manner to maximize benefits, reduce risk and provide satisfactory levels of service in an energy efficient and environmentally responsible manner”

# Relationship between Capital Asset Accounting and Asset Management

- Both projects start with an inventory of existing capital assets.
- Due to magnitude of projects, execution will be staged rather than simultaneous.
- For efficiency and effectiveness, planning for both projects needs to be simultaneous.

# Impact of PS 3150

Planned road construction of \$20 M for 2007

Pre PS 3150

Revenue and Expenditure Statement 2007

Capital

\$20 M

# Impact of PS 3150

Planned road construction of \$20 M for 2007

Useful life of the road is 20 years

## Post PS 3150

Revenue and Expenditure Statement 2007

Depreciation	\$ 1 M
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Statement of Financial Position

Infrastructure (net book value)	\$19 M
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# What's to be Done

- Definition of capital assets
- Single asset vs. component
- Inventorying existing capital assets
- Valuation
- Information system requirements
- Capitalization thresholds
- Depreciation policies
- Betterments vs. maintenance

# Getting Started - Phase 1

- **Capital Asset Steering Committee**
- **Capital Asset Technical Working Group**
- **COMRIF – Asset Management Application – Due Mar. 31/07**
- **Prepare required draft policies**
- **Identify and document existing capital asset information**
- **Begin discussions on valuation**
- **Begin to articulate a vision for asset management**
- **Develop a detailed implementation plan**
- **Identify required resources**
- **Report to Council**