

ACCOUNTING FOR AND REPORTING OF TANGIBLE CAPITAL ASSETS

PRESENTATION TO GENERAL COMMITTEE
AUGUST 28, 2006

ACCOUNTING FOR AND REPORTING OF TANGIBLE CAPITAL ASSETS

- Impending changes in methodology of accounting and reporting tangible assets in the financial statements
- Current method does not require capital expenditure to be recognized as assets
- Proposed change will require capital expenditures to be recognized as assets and amortized over their useful lives
- Changes effective fiscal year beginning January 2009 with implementation in fiscal year beginning January 2008 to enable proper comparison

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DEFINITION OF TANGIBLE CAPITAL ASSETS

Tangible capital assets are non-financial assets having physical substance that:

- are held for use in the production & supply of goods and services
- have useful economic lives extending beyond an accounting period
- are to be used on a continuing basis
- are not for sale in the ordinary course of operations

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Implementation Process

1. Planning

- Assess availability of historical data
- Alternate valuation methods
- Record keeping and system maintenance

2. Resources Requirement

- Determine inventory data sources
- How recent is the information?
- Assignment of tasks
- Outsourcing/ Consultants
- Provision for costs in the 2007 Budget

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Implementation Process

3. System Requirements

- Stand alone data base
- Asset Management System
- Integration of Asset Management System to general ledger

4. Capital Policy

- Capitalization thresholds
- Categorization of assets (Buildings, Infrastructure etc.,)
- Level of aggregation (breaking assets into components)

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Implementation Process

5. “Go Forward” Policies

- Changes to policies may be needed (e.g. Purchasing breakdown of operating & capital)

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Town's Position

Town has a head start in accumulating inventory data due to the work done for the Reserve Adequacy Study

Staff attending meetings and conferences to update and discuss with peers on the method for transition

Further work ahead before full transition to accounting for capital assets

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Consolidated Statement of Financial Activities

High Level Presentation

	Current Reporting			Tangible Capital Asset Reporting		
	Operating	Capital	Consolidated	Operating	Capital	Consolidated
Revenues	20,000	5,000	25,000	20,000	5,000	25,000
Expenditures	18,000	10,000	28,000	19,000	-	19,000
Amortization of Capital Assets					-	-
	18,000	10,000	28,000	19,000	-	19,000
Net Revenues/(Exp.)	2,000	(5,000)	(3,000)	1,000	5,000	6,000
Financing						
Transfers in (Out)	(2,000)	2,000	-	(2,000)	2,000	-
Amortization				1,000		1,000
Transfer from Reserve		3,000	3,000		3,000	3,000
Capital Asset Purchase					(10,000)	(10,000)
Change in Fund Balance	-	-	-	-	-	-

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Consolidated Statement of Financial Position

Assets	Current Reporting	Tangible Asset Reporting
<u>Financial Assets</u>		
Cash & Cash Equivalents	25,000	25,000
Taxes Receivable	50,000	50,000
Accounts Receivable	15,000	15,000
Total Financial Assets	90,000	90,000
Capital Assets (Net of Amortization)	-	50,000
Total Assets	90,000	140,000
 Liabilities		
Accounts Payable & Accrued Liabilities	20,000	20,000
Deferred Revenues	15,000	15,000
	35,000	35,000
 Net Assets	55,000	105,000
 <u>Municipal Position</u>		
<u>Fund Balances</u>		
Operating Fund	5,000	5,000
Capital Fund	20,000	20,000
Reserve & Reserves Fund	30,000	30,000
Investment in Capital Assets		50,000
	55,000	105,000
 Municipal Position	55,000	105,000