

Accounting For Your Tangible Capital Assets

The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants has approved Section PS3150 - Tangible Capital Assets of the Public Sector Accounting Handbook, which requires that all municipalities in Canada present information about the complete stock of their tangible capital assets and related amortization in their summary financial statements. This requirement is effective for fiscal years starting January 1, 2009. As such, municipalities only have 18 more months to develop an asset register, and value and amortize those assets, which may be an onerous task for some.

The requirement provides guidelines for the reporting of tangible assets on a consistent full accrual basis. This allows for a fuller understanding of the investment in, and management of, your municipality's tangible asset base. Through this, your managers will better understand the full costs of delivering services to their clients and the impact of future decisions on those costs. As well, properly implemented, the new guidelines can provide your municipality with information to better manage assets, and a starting point to develop a full asset management program.

What's inside

Page 2

- PSAB 3150 - cont'd from page 1
- Emergency Exits - Are They Clear?

Page 3

- MVR's - How are your Drivers Doing?
- Update to CSA Standards for Playground Equipment

Page 4

- ABC's of Trail Risk Management

What does PS 3150 involve?

Your municipality will need to create a current capital asset ledger for all tangible capital assets with replacement costs above certain value thresholds (set by your municipality). This includes not only insurable assets such as buildings and equipment, but infrastructure such as roadways, water systems, traffic signals, and electrical systems will need to be included. Municipal accounting policy will determine which assets to include, and so your Finance department will need to be directly involved from the onset.

Next, you will need to determine the original cost of each item, as well as the date of acquisition. PS 3150 suggests reviewing historical expenditures to determine the actual date and cost of acquisition. For those assets which the original cost cannot be determined from records, the municipality will need to make an estimate of the original cost. Note that the process of determining this estimate has been left to each municipality, leaving a variety of approaches that can be used. It is recommended that before an alternative method is used, the municipality's auditors be consulted to confirm acceptance of the approach.

Finally, once an asset ledger has been compiled, you will need to apply appropriate amortization schedules to each asset class, to arrive at a current depreciated value for each asset and class under the management of your municipality.

Some helpful suggestions:

As with all projects, the devil is in the details; while straight-forward in intent, a number of issues need to be dealt with before PS 3150 is successfully implemented. Add to this the substantial asset base existing at this time, and the process can feel overwhelming. With a little planning and foresight, however, it does not have to be.

Continued on Page 2

PSAB 3150 (cont'd from page 1)

1. Start early

While not a difficult process, implementing PS 3150 will be time consuming. Starting early will ensure that your team has sufficient time to develop the ledger while completing their normal tasks, and allow proper testing of your accounting system prior to 2009.

2. Plan

Develop an initial project plan, and accept that this will change as unanticipated challenges arise. Identify one individual whose primary role will be to manage this project. Due to time requirements we do not recommend the municipal Treasurer for this role, although the project manager should report directly to the Treasurer. Ensure your project team has a full comprehension of what will be required to meet PS 3150's requirements. Publications

Emergency Exits - Are They Clear?

No matter how much storage space we have, we always seem to need more. However, emergency exits are not the place to find that extra storage. Fire Codes require you to maintain clear travel at emergency exits and access to exits.

As well, there are some very good non-legislated reasons to keep emergency exits clear. A duty of care is owed to everyone who visits or works in your building. When an emergency arises, the highest order of safety for building occupants is early warning. The next order of safety is evacuation. If you haven't kept the exits and access to exits clear, you put every building occupant in danger by cutting off their path to safely evacuate your building.

Emergency exits and the access leading to them must be kept clear and unobstructed by clutter or stored items. Clutter outside the building must also be kept clear, such as snow shovels, salt pails, or garbage cans. Snow and ice should be removed as soon as practical. Surfaces should be free of trip hazards, be maintained in good condition, and be well lit at night.

There is an endless array of storage options available for any kind of item you have. The emergency exits in your building are not a good option. So keep exits clear, and always think of the safety of the people in your building first.

from various associations can provide an excellent primer for this subject. ex: Guide to Accounting For and Reporting Tangible Capital Assets, April 2007, prepared by the Public Sector Accounting Group.

3. Review existing data

In addition to your insurance Statement of Values (SOV), it is highly likely that departments have compiled lists of assets they manage, thereby assisting in completing your inventory. Involving departments in the collection and review of asset data will also allow you to leverage off their knowledge of assets and purchasing cycles.

4. Involve your auditors

Remember, accounting standards are conceptual and principle-based; the specifics of implementation are up to each municipality. It will be your auditors signing off on your financial statements, and therefore it is mandatory to involve them throughout your efforts.

5. Consider Outsourcing

The added burden of inventorying, valuing, and amortizing your tangible fixed assets may exceed the ability of your staff. Some municipalities have retained appraisal and engineering firms to assist in managing the process. Outsourcing this function can be beneficial in two ways. First, it will provide a full capital asset schedule that can be amortized to meet PS 3150's requirements. Second, consideration can be given to expanding the scope of the project to include building appraisals to determine current replacement costs for insurance purposes.

6. Talk to other municipalities

At this time a small but growing body of best practices exists in Canada, augmented with information from sources where similar requirements have been implemented. Of particular note would be the experience in the United States, and several pilot studies completed recently in Ontario.

Finally...

Some municipalities see this as merely an accounting exercise, to be completed by 2009 to meet accounting requirements. It should be noted that, properly implemented, PS 3150 will not only provide your municipality with the tools to manage your capital assets more accurately, but also the basis upon which to build a proper asset management program.

For a more in-depth version of this article, please contact Ken Steger, P Eng, Director – Engineering, CGI Risk Management Services at ken.steger@cgi.com

MVR's - How are your Drivers Doing?

When a new driver is hired, motor vehicle reports (MVRs), usually form part of the hiring process. This is considered good due diligence because no one wants to hire a driver with a record of traffic violations, accident convictions or whose license is currently under suspension or has lapsed.

But, do you apply the same due diligence to your existing drivers? Are driver abstracts pulled on a regular basis? Are you confident that your current drivers all hold valid drivers' licenses?

Why is it important to pull MVR's on existing drivers? It could impact your insurance coverage. A claim could be denied if the accident involves a driver "prohibited" by the automobile policy. It is important to know the specifics of your automobile policy regarding "qualified" drivers.

In Ontario, the Ontario Automobile Policy, under Section 8, Statutory Conditions states very clearly that:

4. (1) The insured shall not drive or operate or permit any other person to drive or operate the automobile unless the insured or other person is authorized by law to drive or operate it."

Both the Nova Scotia and Prince Edward Island automobile policies prohibit drivers whose licenses are under suspension from driving or operating automobiles. The New Brunswick automobile policy, under Statutory Conditions, states that no one will drive or operate an automobile while prohibited from driving under any court order.

Managing drivers is a critical part of any fleet safety program. Regular MVR checks can help you protect yourself against any possible insurance issues in the future.

Update to CSA Standards for Playground Equipment

In March 2007, the Canadian Standards Association released the latest revision of its playspace standard – CSA Z614-07. Below is a short synopsis of some of the changes. Copies of this standard (List ID #2019468) can be purchased by contacting the CSA at: www.ShopCSA.ca or by calling - 1-800-463-6727.

Compliance

- Probes, gauges and templates are to have a standard deviation of no more than 0.5%; deviations of 2.0% remain acceptable for other dimensions used in the Standard. (see Sections 6.2; 12.1.1)
- An annual inspection, in addition to the monthly inspections is not required if the 12 monthly inspections are bound and include a summary page. (see Section 11.3.4)

Surfacing and Fall Heights

- The Protection Surface Depth Charts have been expanded to include comparisons of various surface materials and critical fall heights. (see Section 10; Table D.1 and Table D.2)
- Grass and soil are acceptable as surface materials (see Section 10.3.3), but "hard-pan" surfacing remains unacceptable. (see Section 10.4.5)
- Play equipment that is used solely at ground level (e.g. sandbox), does not require an individual protective surface zone. (see Section 14.2.1.2)
- Acceptable fall heights for children aged 18 months to 5 years is now 725mm and for

children aged 5 to 12 yrs is now 950mm. (see Section 15.16.2)

Handrails

- Stairways and ramps are required to have a minimum of four continuous handrails per side, one set at a minimum height for children 18 months to 5 years, and the other set for children 5 yrs to 12 yrs. Protective barriers are an acceptable substitution. (see Section 13.1.4.1)

Swings

- Multi-user to-fro swing seats are allowed if each of six criteria are met. (see Section 15.6.2.3.2)



ABC's of Trail Risk Management

An inspection and maintenance system will help to prevent or reduce injury and defend against liability allegations.

Build the trail to suit the environment and to minimize maintenance.

Contract with all adjacent property owners.

Define your user groups and build the trail to accommodate their needs.

Establish user guidelines and post them on signs, in brochures or on your website.

For a shared use trail consult with representatives from the various trail associations. Work together to build a safe multi-use trail system.

General rules of risk management cannot be ignored – inspect, maintain, document.

Hazards that can be repaired should be and if they can't be repaired or repaired quickly, use signage to warn users or barriers to protect users.

International System of Accessibility Symbols should not be used on the trail surface unless the surface meets all of the requirements.

Janitors don't work on trails. Remind visitors to take out what they bring in.

Keep records of all inspections, maintenance and incidents. Document!

Local building codes should be followed when constructing railings, fences and barriers.

Manuals issued by Provincial Transportation Ministries should be followed for all regulatory signs.

Natural drainage patterns should be maintained.

Occupier's Liability Act legislates a reduced duty of care for persons using recreational trails for recreation purposes and without paying a fee.

Pictorial signs should be used wherever possible. All user groups can understand them.

Question the experts when you are unsure.

Recovery zones for bicyclists should be incorporated into trail designs that allow cycling.

Since there is no provincial code of conduct or legislation that governs trails, you need to create your own trail standard.

Trail markings should be incorporated into the trail system to help direct emergency vehicles to the scene of the accident.

Use barriers to prevent motorized vehicles from accessing the trail. But remember the barriers should be removable to allow emergency vehicles access to accident sites.

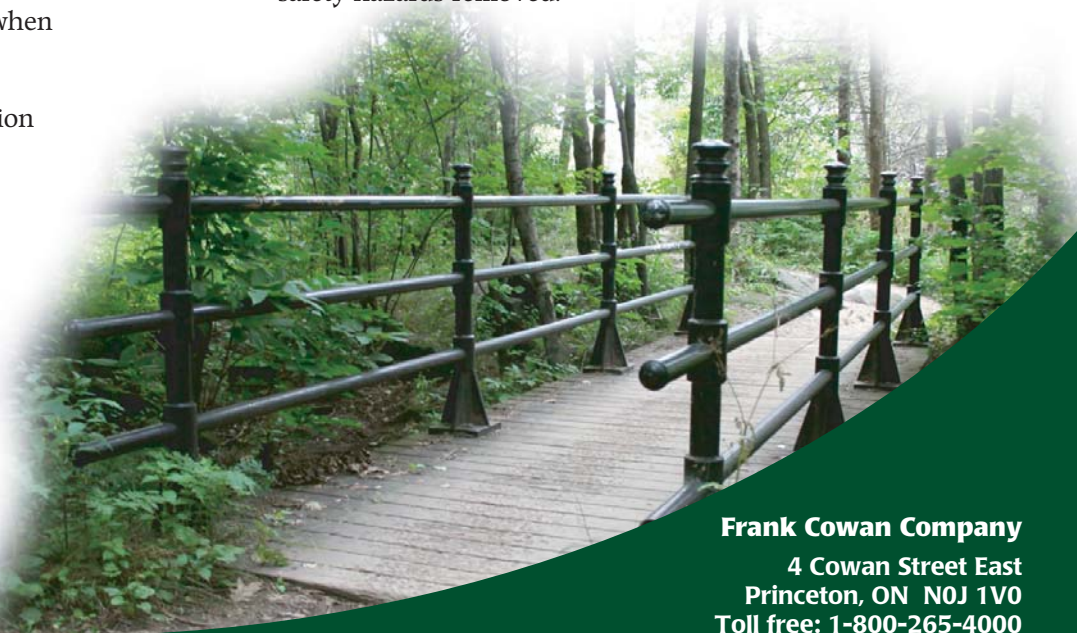
Volunteers should be trained in your policies, procedures and incident reporting.

Warn users of dangerous conditions by posting signage that describes the danger at least 30' before the dangerous conditions begin.

Xposures should be identified and mitigated as soon as possible. 80% of large problems were once small problems.

You, as the Occupier, have a duty to the user and cannot allow a dangerous condition to exist.

Zones, that serve as buffer zones, should have all potential safety hazards removed.



Frank Cowan Company
4 Cowan Street East
Princeton, ON N0J 1V0
Toll free: 1-800-265-4000
Phone: 519-458-4331
Fax: 519-458-4366
www.frankcowan.com