

United Townships of Head, Clara & Maria  
Municipal Council

**Type of Decision**

Meeting Date	Aug 22, 2014				Report Date	July 17, 2014			
Decision Required		Yes	X	No	Priority		High	x	Low
Direction		Information Only		X	Type of Meeting	X	Open		Closed

**REPORT TITLE**

Treasurer's Report – Information Only # 22/08/14/804

**Treasurer's Report PSAB 3150 vs Asset Mngt Webinar**

I have completed a webinar on PSAB 3150 vs Asset Mngt. The webinar has answered some questions I had. Please see details below:

**PSAB 3150 vs Asset Management - June 17, 2014 - this webinar focused on:**

- Valuation / Funding
- Segments / Components
- Asset Inclusions / Exclusions
- Useful Life /Condition

**The difference between PSAB 3150 & Asset Management**

*PSAB 3150*

- Tangible Capital Assets (TCA's):
- Non-financial assets having physical substance that:
- Are held for use in production/supply of goods and services (includes assets for rent, admin, construction, maintenance, etc.)
- Have a useful economic life beyond one accounting period
- Are to be used on a continuing basis
- Are not for sale in the ordinary course of operations

*Definition from PSAB s.3150*

- Use of historical cost valuation
- Reported annually on audited financial statements

*Asset Management*

- A tool to assist in asset related decision making processes:
  - Operating & Maintaining

- Replacement
- Rehabilitation
- Disposal
- Growth / Expansion
- Taking into account:
- Asset Attributes, Level of Service, Risk, Priorities, Funding, etc.
- Goal: Move towards Sustainability

*Information and analysis that are required to be included in a municipality's asset management plan:*

- Executive Summary
- Introduction
- State of Local Infrastructure
- Expected Levels of Service
- Asset Management Strategy
- Financing Strategy

#### *PSAB 3150 vs. Asset Management*

*Asset use perspective:*

- PSAB = tangible capital asset listing
- Asset Mngt = long-term forecast

*Approach & Valuation perspective:*

- PSAB = past (historical) transactions
- Asset Mngt = future costs (maintenance, rehab, replacement, expansion)

*Philosophy perspective:*

- PSAB = amortize assets based on useful life
- Asset Mngt = move to a sustainable position, funding approach

*Reporting perspective:*

- PSAB = audited financial statements, FIR
- Asset Mngt = asset mngt plan, budgets

*Policies & Procedures perspective:*

- PSAB = inventory & accounting based
- Asset Mngt = inventory & asset mngt based

*Current Asset Policies*

- *May be more focused on PSAB 3150:*
  - Valuation
  - Asset Components/Segments
  - Capitalization Thresholds
  - Asset Pooling
  - Useful life Estimates
- Is it now Appropriate for asset management?
- Use one asset listing for all needs?

### *Financial Impact: PSAB 3150 vs. Replacement Funding*

*Example: \$1 million asset (today's cost)*

- 60 years old and has a remaining useful life of 20 years

#### *PSAB 3150 reporting:*

- Determine historical cost (original construction) cost:
  - Using discounted replacement cost method (using Stats Can Construction Index) it would be \$68,700
  - Determine annual amortization (assuming straight line method):
- Divide the historical cost by the estimated number of years useful life (e.g. 80 years) -annual amount to report as amortization is approx. \$860

#### *Asset Management approach:*

- Assess how much you need to start putting away in reserves to save for the replacement (assuming inflation and investment rate) would require \$55,000 annual payment

### *Segments & Components*

- Determine whether we need to go back to look at breaking down our asset segments into more detailed asset components

### *Asset Inclusions / Exclusions*

*Capitalization Thresholds - High thresholds vs. Low thresholds?*

- Cost Benefit Analysis:
  - Number (and value) of assets to maintain
  - Time and effort of staff
  - Impact on budgeting format
  - Accuracy of PSAB 3150 calculations
  - Accuracy of Asset Management Plan

### *Asset Pooling*

- *Grouping similar assets together as one asset - Examples:*
  - Garage Equipment
  - Office Furniture
  - Parks & Rec Furniture
- Reduces the size of the inventory listing and level of effort to maintain
- "Deemed Disposition" methodology
- *Impact on Asset Management Planning:*
  - Include or exclude asset pools from the asset management plan?
    - Pooled assets usually make up a very small proportion of total capital asset value
- Example: \$50,000 asset pool with a useful life of 10 years and Replace \$5,000 of assets per year

- Create a detailed list of assets included in the pool, OR-discontinue the use of pools?
  - Results in a more accurate calculation of replacement needs
  - Cost/Benefit?

#### *Other Inclusions/Exclusions*

- Assets not in PSAB 3150 listing
  - Works of Art & Historical Treasures
- Assets that will not be replaced
  - Building Structures?
- Changes in Level of Service:
  - Assets that will be enhanced/expanded
  - Replaced with more efficient products
  - Decreases in level of service

#### *Useful Life Condition & Risk*

- Useful Life:
  - Estimates can change due to actual replacement practice, maintenance approaches, rehab programs, and expected level of service?
- Condition Assessments:
  - What are the asset's maintenance, rehab and replacement needs based on an actual physical assessment?
- Risk Assessments:
  - Probability of Failure X Consequence of Failure
  - Determines "priorities" and helps with capital timing needs

*Before any changes are to be made to the useful life of the asset(s), it has been advised that we contact our Municipal Auditor to check with him/her before doing so.*