REPORT TO THE LIBRARY BOARD

MEETING DATE: September 17, 2008

Session:	Public Session
Subject:	Financial Update – Tangible Capital Assets
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Purpose of Report:	For Receipt and Information Only ☑

Recommendation:

It is recommended that this report be received.

Issue/Opportunity

The purpose of this report is to provide an update on the status of the London Public Library transition to Tangible Capital Asset Accounting in accordance with Public Sector Accounting Board (PSAB) requirements.

Background

Local governments have invested billions of dollars in tangible capital assets, which are essential for a community's ability to diversify, provide service, expand and cope with population growth. However, the backlog of maintenance, renewal and replacement of infrastructure can create financial stress for local governments, and jeopardize the sustainability and affordability of services. The 2002 CICA research report *Accounting for Infrastructure in the Public Sector* concluded that "a major factor in determining a local government's financial ability to maintain its existing service levels is access to financial information about the stock and use of its capital assets." For the majority of local governments in Canada this financial information is generally not available.

Effective January 1, 2009, this will change. The Public Sector Accounting Board will require local governments to present information about the complete stock of their tangible capital assets and amortization in their financial statements.

Definitions

Tangible Capital Asset: is a non-financial asset having a physical substance that is a) used on a continuing basis in the Library's operations, b) has a useful life beyond one year and c) is not held for re-sale. Examples are land, buildings, collections, shelving, furniture, computers etc.

Amortization: is the accounting process of allocating the cost of an asset to operating periods, as an expense, over its useful life. A record will still be kept for items which are still in use but have been fully amortized.

Capitalization threshold: is the minimum amount that expenditures must exceed before they are capitalized and are reported on the balance sheet of the financial statements. Items not exceeding the threshold will be recorded as an expense in the period in which the expense occurred, which has been the practice to date.

Group Assets: have an individual value below the capitalization threshold but have a material value as a group. Examples could include computers, furniture and fixtures, small moveable equipment, library books etc.

Useful Life: is the shortest of the asset's physical, technological, commercial or legal life.

Status

By December 31, 2008, the Library is required to have inventoried, and placed a value on, all its material assets. Assets are to be valued at historical cost (or an acceptable alternative) in order to create opening balances for the financial statements. Finance staff have worked closely with KPMG to create an asset policy in order to establish asset thresholds, classes of assets (such as collections, furniture and equipment, facilities and land) and methods of valuing the assets. Staff are also working with the City project leader to ensure consistency of methodologies.

As of mid-August, inventories have been completed for the majority of the Library's furniture and equipment.

In consultation with KPMG the calculation of the historical value of the collections, as well as the amortization, is complete.

Next Steps

Work has begin to place a value on furniture and equipment assets.

The City of London's consultant, R.V. Anderson, will be conducting the facilities (buildings) inventory in September and research is underway as to how to best establish historical land values. Currently, LPL staff are researching documentation and historical information regarding library land.

KPMG has reviewed the Library's Tangible Capital Asset draft policy, which will be presented to the Board later in the fall. Internal Tangible Capital Asset Accounting policies will also be developed for the ongoing recording, amortization, and disposal of assets.