



City of  
**Peterborough**

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**TO:** Members of the Audit Committee

**FROM:** Brian W. Horton, Senior Director of Corporate Services

**MEETING DATE:** June 15, 2009

**SUBJECT:** Report CPFRAS09-010  
Update on the Asset Management Project

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## **PURPOSE**

A report to provide an update on the status of the Asset Management Project.

## **RECOMMENDATION**

That Council approve the recommendation outlined in report CPFRAS09-010 dated June 15, 2009, of the Senior Director of Corporate Services as follows:

That the update on the Asset Management Project be received.

## **BUDGET AND FINANCIAL IMPLICATIONS**

There are no additional budget and financial implications included in this report.

## **BACKGROUND**

There have been numerous update reports provided to the Audit Committee on the status of the Asset Management project, the most recent being report CPFRAS08-015 dated October 27, 2008. The balance of this report provides a further update as of June 15, 2009.

## Project Includes 9 Phases

The project plan, as has been described in previous reports, is made up of the following 9 phases. Table 1 provides a high level summary of each phase and the percentage of completion:

**Table 1**  
**Project Status - Summary**

| Phase | Description   | Not Started | % Complete |
|-------|---|-------------|------------|
| 1     | Project planning and communication  |             | 100%       |
| 2     | Creation of a PS 3150 compliance strategy   |             | 100%       |
| 3     | Coordination/Integration of related projects  |             | 100%       |
| 4     | Data Collection   |             | 100%       |
| 5     | Key business processes/work flow  |             | 100%       |
| 6     | Automated solutions   |             | 95%        |
| 7     | 2009 Budget:<br>– Asset Management criteria<br>– Conversion from cash to full accrual | Fall 2009   | 100%       |
| 8     | 2009 Financial reporting submission   | Fall 2009   |            |
| 9     | Corporate Wide Long-term asset management plan  | Deferred    |            |

## Data Collection

All of the historical asset inventory data has now been collected. In addition, the asset stewards – the relevant staff persons who manage City assets, have reviewed and verified that the data was retrieved from valid and relevant sources for each of the City's capital assets.

A sampling of the type of information collected includes: asset type by class and sub class, asset name, description, location, department, date of acquisition or in-service date, historic cost and whether or not there have been any betterments, additions or disposals to the asset.

Table 2 provides a summary of the major categories of asset classes.

**Table 2**  
**Asset Classes**

| <b>Asset Class</b>   |
|--|
| Linear Assets – including roads, bridges, street lights, traffic lights, pedestrian networks, storm and waste water networks |
| Land Improvements<br>Examples include: parking lots, park furniture, playground structures, pedestrian networks              |
| Land – including general land, parks and landfill site   |
| Buildings – includes both major buildings > 500m <sup>2</sup> , minor buildings and leasehold improvements                   |
| Machinery and Equipment<br>Examples include: computer equipment, tools, equipment at Waste Water Treatment Plant             |
| Vehicles – including police, fire, public works and transportation   |

### **Staff Training – Automated Solutions and Key Business Process**

A total of 8 training workshops were hosted by the Asset Management group and held during the month of March 2009. Approximately 55 staff in various departments throughout the Corporation received a project update and an introduction to new software modules and business processes, which have come into effect. The training was targeted towards Asset Stewards and relevant administrative support staff.

The new software modules that were previously reported to the Audit Committee as being in the midst of configuration and testing are now operational in our production environment. The modules in use are specific to tangible capital asset projects and include the financial cost-tracking functionality of Work Orders and an Asset Register module.

The Work Order module gives us the ability to connect the approved capital projects (ie. Capital works-in-progress) with the Asset Register – the Asset Register is the software tool used to record the structure, relationships and characteristics of the inventory of the various tangible capital assets that the City owns. From the Asset Register we can perform various transactions such as data tracking and modification, asset valuation and amortization.

## **Compliance with PS 3150**

The key section of the Public Sector Accounting Handbook in question is PS 3150. The effective date of the section is January 1, 2009, meaning that financial reporting associated with tangible capital assets commences with the 2009 financial statements.

Asset inventory data collection is complete and Asset Management staff are in the midst of loading the historical opening asset values and associated accumulated depreciation into the asset register. Computerized systems are operational in a production environment and the asset register is prepared to accept assets as they come into service in 2009.

## **Audit of the Opening Balances**

Over the course of the project, there have been numerous meetings and informal discussions with staff from Collins Barrow Kawarthas. All along, the intent of the ongoing dialogue is to ensure that they have been kept up to date on the various activities being undertaken and decisions made to ensure that they have a thorough understanding with the overall direction of the project to achieve compliance.

Audit of the opening financial statement balances by Collins Barrow Kawarthas will take place during the summer months of 2009. The Asset Management group have kept detailed methodology reports by asset type including references to key source documentation to ensure an efficient audit.

## **2009 Capital Budget and Conversion to Full Accrual Presentation**

There were two fundamental changes required for the 2009 budget process. The first was specific to the Capital Budget and addressed the board nature of how municipalities have traditionally defined capital projects. Budget staff dealt with this issue by separating the Capital Budget into two sections: “Tangible Capital Asset” (TCA) projects and “Other Capital” projects. Those projects that resulted in the construction, acquisition or betterment of tangible capital assets and met the definition of a TCA as defined in PS 3150 were referred to as TCA projects. Conversely, those projects that do not result in TCA’s were simply referred to as “Other Capital” projects. For financial statement purposes, “Other Capital” projects will be combined with the expenses on the Statement of Operations.

The second issue arises from the requirement to disclose on the 2009 audited financial statements the unaudited municipal budget in a full PSAB accrual format. This involves converting the 2009 Budget that was previously approved by Council on January 15, 2009, which is for the most part presented on a cash basis, to a full accrual budget presentation. The full accrual budget will incorporate items such as amortization

expense, post employment benefits and landfill closure and post closure expenses. A report addressing the specific issues of the full accrual budget will be presented at a future meeting of the Audit Committee.

### **Financial Reporting**

Preparation for financial reporting for the 2009 fiscal year will begin this fall and involves a number of key tasks. The first is a restatement of the 2008 financial statement balances in the new full accrual accounting format. Elements like tangible capital assets are added on the Statement of Financial Position and capital fund expenditures, as we know them, are removed from the Statement of Operations and replaced by an expense called amortization. In addition, financial impacts resulting from adjustments to employee future benefits, interest accruals and closure and post closure costs associated with the landfill site are no longer negated from the bottom line, but allowed to impact surplus directly.

Since the adoption of Public Sector Accounting Standards, there have been three (3) statements: a Consolidated Statement of Changes in Financial Position (ie. a balance sheet), a Consolidated Statement of Operations (ie. an income statement) and a Consolidated Statement of Cash Flow. New for 2009 is a fourth statement called a Statement of Change in Net Financial Assets. This statement will provide important accountability information regarding the extent to which expenditures (ie. goods and services acquired during the year) are met by the revenues recognized in the fiscal period.

### **Corporate Wide Long Term Asset Management Plan – Deferred**

Through report FAFS06-025 dated October 16, 2006, Council directed staff to not only comply with PSAB, but also to also implement a program of Asset Management at the City. The motion read as follows:

*That, as policy, Council endorses the implementation of Public Sector Accounting Board tangible capital assets recording for its 2009 fiscal year and an Asset Management program for the City of Peterborough.*

The 2009 draft capital budget proposed a new full-time permanent Asset Management Program Coordinator position to start working on the longer-term goal of providing a corporate framework including standards, practices and tools to manage the City's capital assets beyond the immediate PSAB legislative requirements. Ultimately, the position was not approved.

On May 4, 2009, the Asset Management Steering Committee met to further consider the longer-term goal of a corporate wide asset management plan. Various implementation options were discussed along with the resulting financial implications and resource requirements to various operating departments.

Given the resource constraints that exist at the operating department level, the committee recommended deferral of a corporate wide solution at this time. An exception to this is in the area of facilities management for certain City buildings. In this one particular area, the committee approved moving forward with a view of providing additional tools to staff that will allow them to manage City facilities more efficiently. Any costs associated with this initiative can be accommodated within budgets already approved for this project.

## **SUMMARY**

This report has provided an update on the City Fixed Asset Management Project.

Over the next period of time, staff will continue to work with departments to familiarize staff with the new financial software modules and business processes for maintaining asset information. They will continue to update the modules with asset data for 2009 projects and further define the business processes for on-going data maintenance and integration with other corporate applications.

LIS will continue to work to ensure that asset details are updated in the corporate GIS for ongoing asset accounting and for future asset management purposes. The incorporation of all of the historical asset attribute data is estimated to take the remainder of 2009 to complete.

Submitted by,

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