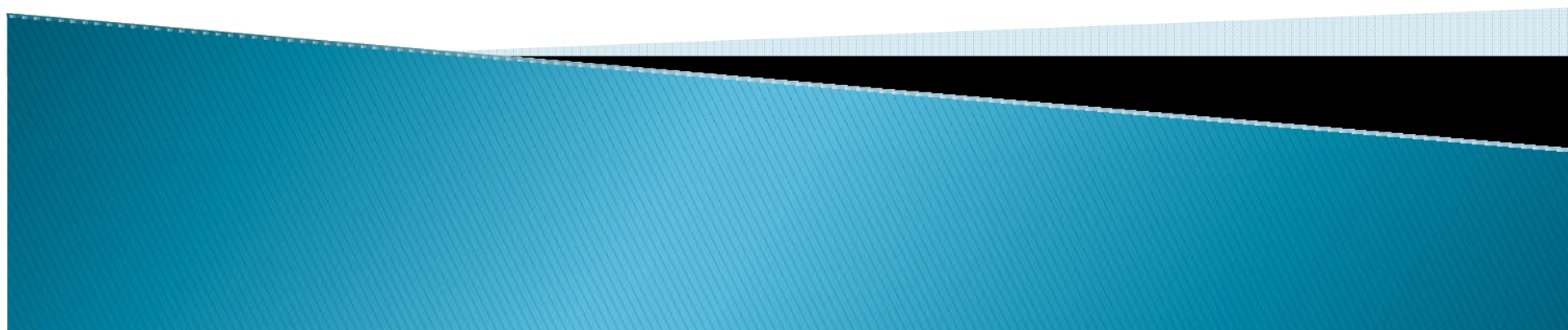



Financial Reporting Changes for Assets

Committee of the Whole –
May 11, 2010

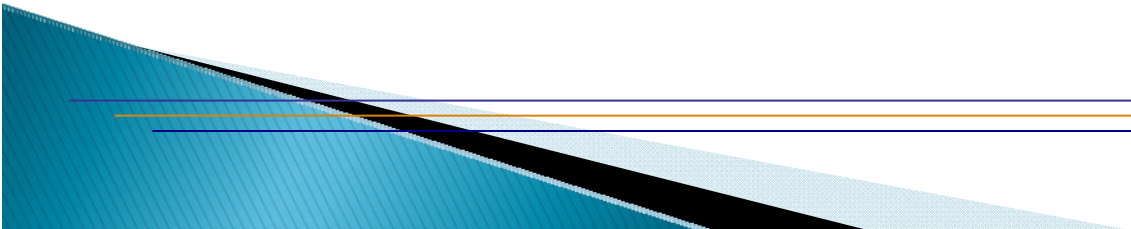


Accounting for TCAs

- ▶ “Biggest financial accounting change made to municipal accounting in over a century”
 - ▶ Accounting, budgeting and financial reporting for HRM’s \$2.6 billion in tangible capital assets will change.
 - ▶ We are here to provide information about the changes, the reasons to make the changes and the impact on our financial statements, the tax rate calculation and the budget.
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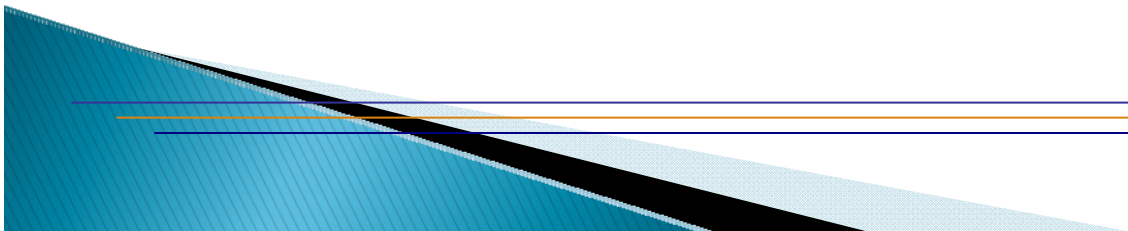
Background

- ▶ This process started when HRM became PSAB compliant starting in March 31, 2005
 - Council presentation July 6, 2004

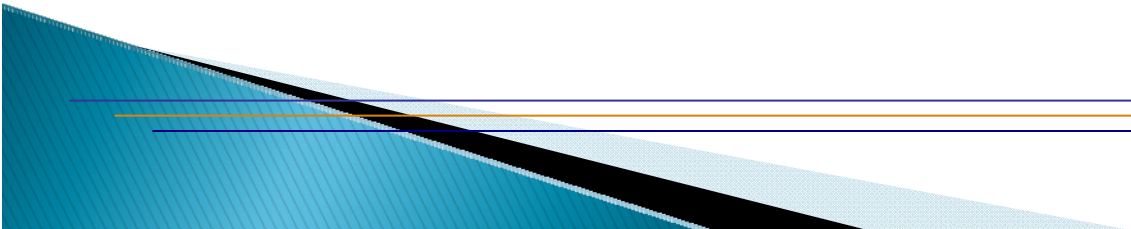
 - ▶ The changes around Tangible Capital Assets come into affect for our 2009/10 Fiscal Year
 - PSAB 3150
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What is a TCA?

- ▶ Defined as a non-financial asset that:
 - Is held for use in the production or supply of goods and services
 - Has a useful life that extends beyond one accounting period and is intended to be used on a continuing basis
 - Is not intended for sale in the ordinary course of business



For HRM, TCAs include:

- ▶ Land & Land improvements
 - ▶ Buildings
 - ▶ Roads and related infrastructure
 - ▶ Vehicles
 - ▶ Ferries
 - ▶ Machinery & Equipment
 - ▶ Assets under Construction
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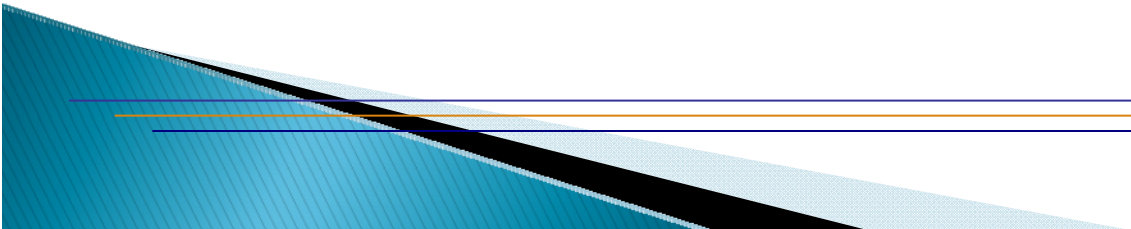
Items That Are Not-TCA

- ▶ We also had to work through which assets are not TCAs
 - Natural resources such as forests, water & mineral resources
 - Land and other assets held for resale
 - *Example: land in Business Parks*
 - Works of art and other historical treasures
 - *However, operational heritage assets, such as City Hall, are TCA*
 - Non HRM controlled tangible capital assets – grants to outside agencies
 - Items that do not meet the definition of TCA
 - *Examples: maintenance of assets and District Capital Funds*

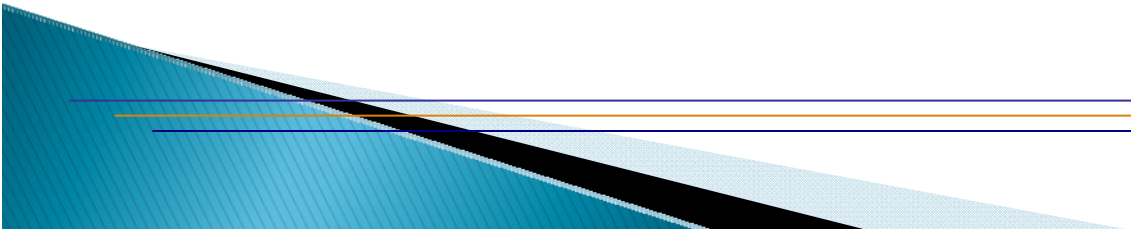
New Items

- ▶ We are able to get information on what we bought or built
- ▶ But we are also required to record assets we did not pay for
 - Donated/contributed assets such as assets paid for by a developer but handed over to HRM as part of the sub-division process

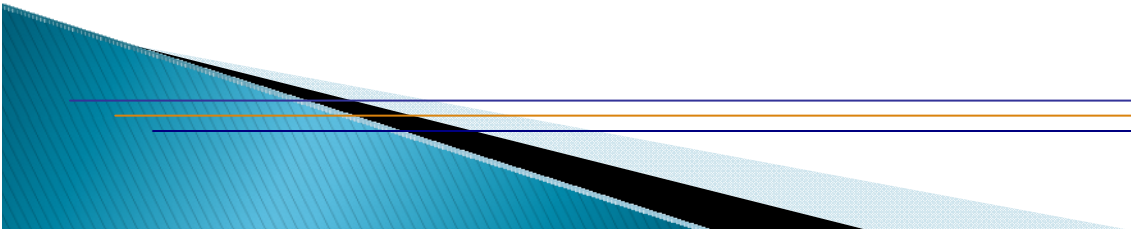
To Make This Happen at HRM

- ▶ Developed a TCA Policy –framework for collecting the TCA data
 - ▶ Identified assets HRM owns
 - ▶ Developed a valuation methodology developed by TCA class to determine/estimate historical cost as of March 31 /08
 - ▶ Updated the costs with the actual transactions from 2008/09 and currently adding the 2009/10 items
 - ▶ Implementing new software May 1, 2010
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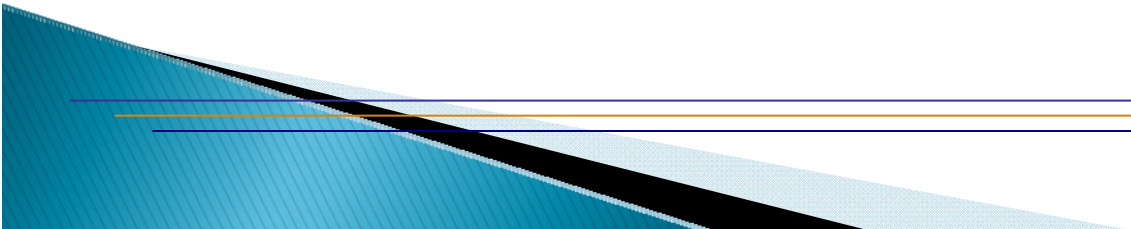
TCAs to be Recorded

- ▶ TCAs valued at \$2.6 billion will be added to the financial statements
 - Over 1,000 active vehicles
 - Approx 3,000 parcels of land
 - Almost 300 buildings
 - Over 9,500 road segments
 - 399 playgrounds
 - 345 sportsfields
 - 237 sportcourts
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Why adopt PS3150?

- ▶ We have to!
 - Legislated requirement
 - Required under various funding and cost sharing arrangements
 - ▶ Comparability and benchmarking
 - ▶ Awareness, provides better information on our assets on the financial statements
 - ▶ We can build on this data for asset management purposes
 - ▶ Provides information to Standard & Poor's rating
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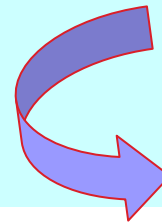
Impact on the Financial Statements

- ▶ TCAs be reported on the Statement of Financial Position:
 - At historical cost
 - Less accumulated amortization
 - ▶ Amortization and gains/losses on sales of assets be included in calculation annual income/loss on the Statement of Operations
 - ▶ A continuity schedule of TCA transactions be included in the financial statements
 - ▶ The next slides show examples of the new types of information that will appear on the financial statements
 - Disclaimer: These are only examples and do not reflect actual HRM data
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Balance Sheet Format Example

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at December 31

	2009	2008
FINANCIAL ASSETS		
Cash and Investments	\$ 62,500,000	\$ 60,000,000
Accounts Receivable	10,200,000	10,700,000
Due from Other Governments	1,400,000	1,200,000
	74,100,000	71,900,000
LIABILITIES		
Accounts Payable & Accrued Liabilities	25,600,000	25,600,000
Deferred Development Cost Charges	3,000,000	1,700,000
Long-Term Debt, Net of Sinking Fund Deposits	10,600,000	3,400,000
	39,200,000	30,700,000
NET FINANCIAL ASSETS	34,900,000	41,200,000
Non Financial Assets		
Tangible Capital Assets	237,300,000	225,200,000
Inventory of Supplies	1,400,000	1,600,000
Prepaid Expenses	800,000	1,100,000
	239,500,000	227,900,000
ACCUMULATED SURPLUS	\$ 274,400,000	\$ 269,100,000



Income Statement Format Example

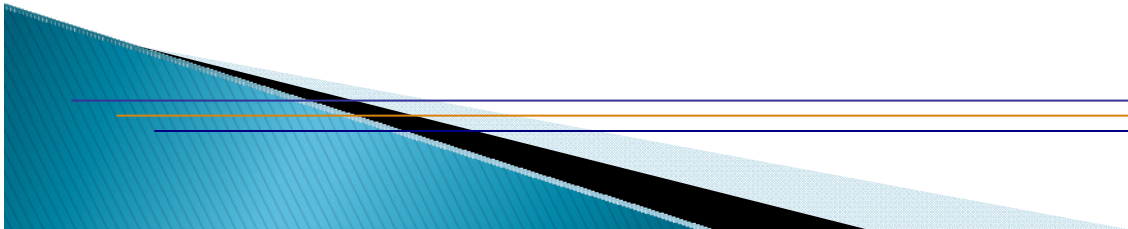
CONSOLIDATED STATEMENT OF OPERATIONS For the Year Ended December 31

	2009 Budget (Unaudited)	2009 Actual	2008 Actual
REVENUE			
Property Taxation and Other Levies	\$ 39,000,000	\$ 38,700,000	\$ 37,100,000
Utility Fees and Charges	37,400,000	37,000,000	36,600,000
Sale of Services	7,500,000	8,300,000	7,600,000
Grants and Contributions	13,700,000	9,000,000	8,000,000
Other Revenue	9,500,000	9,200,000	8,100,000
	<u>107,100,000</u>	<u>102,200,000</u>	<u>97,400,000</u>
EXPENSES			
General Government	9,000,000	8,700,000	8,700,000
Protective Services	25,500,000	25,400,000	24,400,000
Transportation and Parking Services	4,400,000	4,300,000	4,300,000
Environmental Development Services	1,100,000	1,100,000	1,100,000
Recreation and Cultural Services	13,200,000	13,100,000	13,100,000
Utility Operations	30,500,000	29,200,000	28,700,000
Interest and Bank Charges	1,200,000	1,100,000	1,200,000
Amortization	14,000,000	14,000,000	13,000,000
	<u>98,900,000</u>	<u>96,900,000</u>	<u>94,500,000</u>
INCREASE (DECREASE) IN SURPLUS	<u>\$ 8,200,000</u>	<u>5,300,000</u>	<u>2,900,000</u>
Accumulated Surplus, beginning of year		<u>269,100,000</u>	<u>266,200,000</u>
ACCUMULATED SURPLUS, end of year		<u>\$ 274,400,000</u>	<u>\$ 269,100,000</u>

Schedule of TCA Format Example

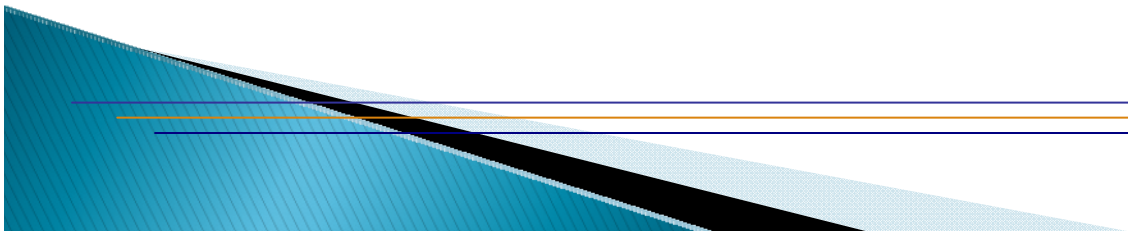
5. Tangible Capital Assets

	2008	Additions	Disposals	Write-downs	Accumulated Amortization	2009
Tangible Capital Assets consist of the following:						
Capital Assets						
Land	\$ 40,300,000	\$ 4,000,000	\$ 2,500,000			\$ 41,800,000
Buildings	111,800,000	3,500,000	500,000	\$ 200,000	\$ 52,700,000	61,900,000
Machinery and Equipment	35,500,000	9,000,000	1,000,000		17,700,000	25,800,000
Park Improvements	10,000,000	2,000,000		700,000	3,400,000	7,900,000
Engineering Structures	122,000,000	14,500,000	2,000,000		34,600,000	99,900,000
	<u>\$ 319,600,000</u>	<u>\$ 33,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 900,000</u>	<u>\$ 108,400,000</u>	<u>\$ 237,300,000</u>

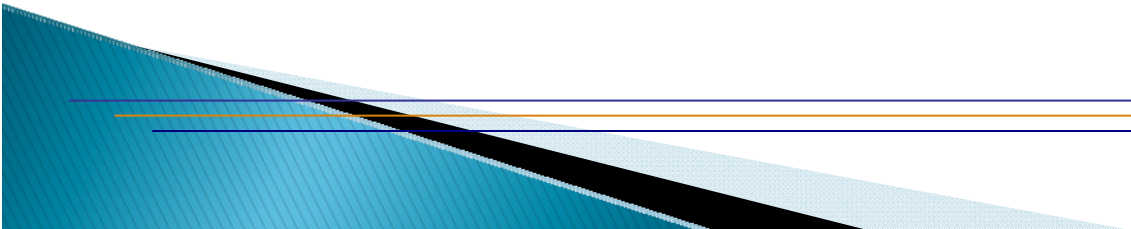


Next Steps

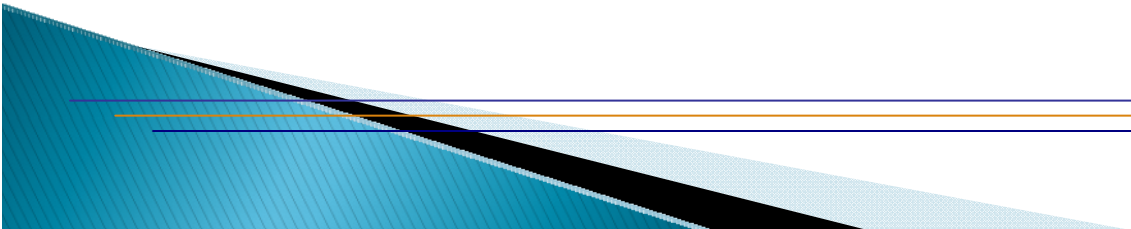
- ▶ We need to take the TCA information and make the necessary changes to our 2009/10 financial statements
- ▶ We are also required to restate the 2008/09 financial statements



Impact on Budgets

- ▶ Some things in the capital budget do not meet the definition of TCA
 - ▶ Paving outside the core (provincially owned roads), grants to community owned facilities, tree replacement program, district capital funds
 - ▶ Budget will still show same information but some projects will move to operating from capital
 - ▶ In 09/10, approx \$19 million of project costs in the capital budget need to be restated to the operating budget
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No Impact on Tax Rate

- ▶ NO IMPACT ON SURPLUS/DEFICIT FOR TAX RATE CALCULATION PURPOSES
 - ▶ The changes we have presented will affect our financial statements but these items are not included in calculation of annual surplus/deficit for purposes of the tax rate calculation
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Questions?

