
PSAB Implementation Phase II

MMAA Annual Conference

Winnipeg, MB

April 28, 2008

Presentation Outline

- Questions from Mayors & Reeves meetings:
 - Review of Phase I – TCA & Accruals
 - Phase II:
 - Municipal Reporting Entity & Consolidations
 - Landfill Closure & Post Closure Liabilities
 - Environmental Liabilities
 - Manuals & Training Sessions in 2008
 - A look ahead at 2009 – Phase III
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Why do Munis in MB Have to Use PSAB?

- All gov'ts required to use PSAB
 - Qualified or denial of audit opinion
 - Required - *Municipal Act (1997)*
 - Gas Tax Agreement - PSAB by March 31/10
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Need to Upgrade Your Software?

- Most software currently in use can be used for PSAB
 - Some systems may require a little more work to prepare F/S reports
 - Cost/benefit of keeping old system vs. new system
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Need to Upgrade Your Software?

- Consider:
 - PSAB F/S reports
 - TCA accounting module
 - Investment & choice of software is a decision of the municipality
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Need to Upgrade Your Software?

- Meeting software providers to discuss reporting requirements
 - Contact your software provider for more info
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Milestones of Phase I

- 1) Identify & list TCA by Dec 31/07
 - 2) Complete valuation of TCA by March 31/08
 - 2) Record “routine” accruals at Dec 31/07 or Jan 1/08
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Milestones of Phase I

- TCA - A lot of information to compile
 - Required significant human resources
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Milestones of Phase I

- Some municipalities have not yet completed their TCA
 - Survey in May – What have you done on TCA?
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Milestones of Phase I

- Complete TCA as soon as possible.
Key to 2009 F/S!
 - Questions? – Phone me!
 - Field Consultants:
 - No cost to you!
 - Continuing through 2008
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Municipal Reporting Entity

- Include all the organizations **controlled** by the muni
 - **Controlled** entities s/b fully consolidated
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Municipal Reporting Entity

- **Control** means the:
 - 1) power to govern the financial and operating policies
 - 2) expected benefits or the risk of loss to the government
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MRE – Government Partnerships

- Shared Service Agreements
 - GP have the following characteristics:
 - 1) Partners share common goals
 - 2) Partners make a financial investment
 - 3) Partners have shared control over decisions
 - 4) Partners share risks and benefits on an equitable basis
 - Require proportionate consolidation
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MRE – What's Included?

- Controlled entities & GP could include:
 - Planning districts
 - Weed control districts
 - Recreation boards
 - Regional landfills
 - Library boards
 - Fire protection districts
 - Water cooperatives
 - Community development corporations
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MRE – Why do Munis Need to Consolidate?

- Fuller picture of a muni's activities
 - Method of service delivery shouldn't affect the financial reporting
 - Comparisons b/t munis will be possible
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Same Service – Different Delivery

Muni Landfill

- TCA
- Landfill liability
- Levy for garbage collection
- Full operating cost
- Amortization of TCA

Regional Landfill

- Levy for garbage collection
 - Tipping fees to regional landfill
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MRE - Consolidations

- Done at the F/S level
 - Only for y/e external reporting
 - Examples of consolidations:
 - Included in the manual
 - Demonstrated in the training sessions
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MRE – Being Prepared is the Key

- **To minimize audit costs and ensure the 2009 F/S are completed by June 30/10:**
 - 1) List of controlled entities & GP is complete; and
 - 2) Have audited F/S for consolidation, or
 - 3) Entities are ready to be audited at the same time as the muni.
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MRE – Being Prepared is the Key

- Audited financial statements have to be prepared on a GAAP basis.
 - Review engagement for immaterial low risk entities?
 - Discuss with your auditor.
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MRE – Being Prepared is the Key

- Manual checklist - help munis decide what to include or exclude
 - Complete the checklist first
 - Still not sure? Phone your auditor or me
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MRE – Being Prepared is the Key

- **Dec 31/08** – decide which entities s/b included in your MRE
 - Entities will have to be audited for 2008 comparatives
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Landfills

- PSAB requirements on landfills apply to all operating and closed landfills.
 - Recommendations apply to regional landfills as well as municipal landfills.
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Landfills – Closure Costs

- Includes all activities related to closing a landfill
 - Does not include transfer stations or other conversion costs
 - Liabilities for Class 2 & 3 landfills will likely not be significant
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Landfills – Post Closure Costs

- Includes all activities to monitoring the landfill after it no longer accepts waste
 - Monitoring requirements may be included in some, but not all permits & licenses
 - Many closed landfills will have no post closure liability
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Environmental Liabilities

- Gov'ts have been accruing and/or disclosing EL in F/S for several years
 - Very few of you have contaminated sites
 - Even fewer will be required to record a liability for remediation costs
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Environmental Liabilities – Key Principles

1) The Polluter Pays:

- Muni is obligated to accept responsibility if it caused the contamination
- Munis are not responsible for contaminated sites acquired through tax sales.

2) Obligating event occurs when the muni accepts responsibility for remediation costs.

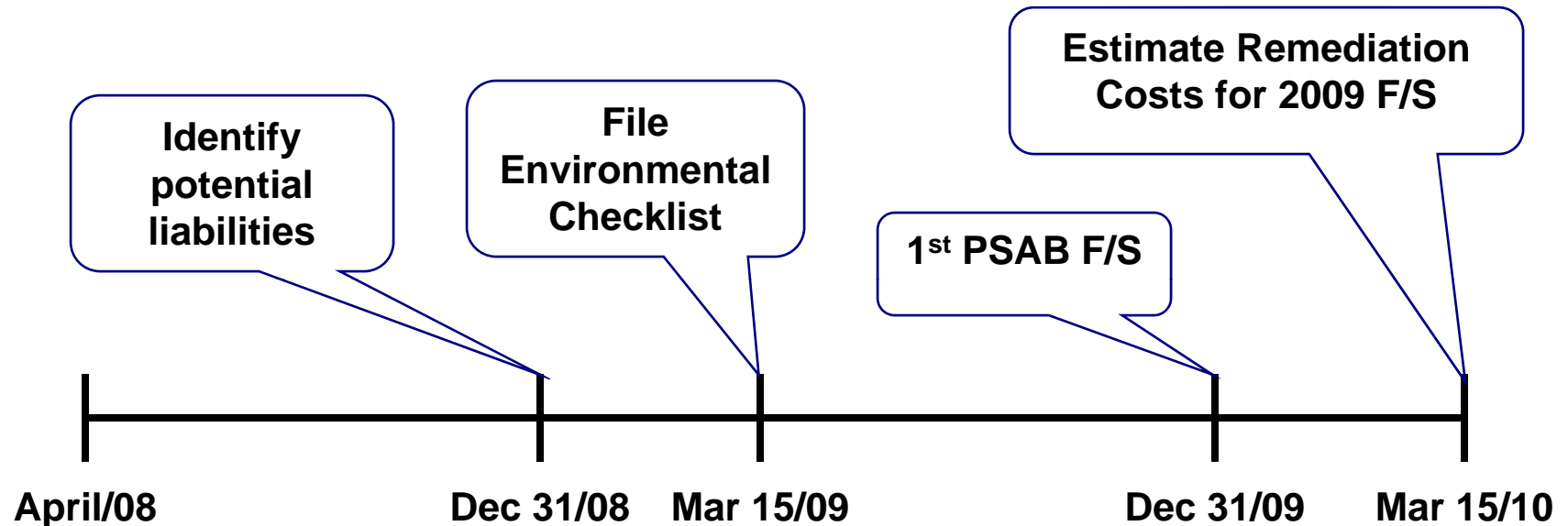
Environmental Liabilities – Critical Issues

- 1) Do you have to record a liability for all contaminated sites (i.e. scope)?**
 - 2) In what accounting period do you accrue the EL?**
 - **Contaminated site discovered in 2009**
 - **Contamination occurred in 1999**
 - **What period do you accrue liability?**
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Scope of EL is Based on Risk!

- Criteria - risk to human health & safety
 - Level of risk is determined by an environmental consultant
 - Only sites that require or likely require remediation have to be accrued
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Environmental Liabilities - Milestones



N.B. Very important to identify your environmental liabilities by March 15/09.

Manuals

- Manuals are completed & available on the AMM PSAB web-site:
 - Obligations, Environmental Liabilities & Landfills
 - The Municipal Reporting Entity & Consolidations
 - PSAB Chart of Accounts is also on web-site
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Training Sessions

- Training sessions will be scheduled b/t mid June and mid September.
 - Dates and locations s/b finalized in May.
 - Registration will again be online through the AMM PSAB web-site.
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Training Sessions

Training sessions in 2008 will again be 1 day:

- Municipal reporting entity
 - Government partnerships
 - Consolidations
 - Liabilities
 - Contingent liabilities
 - Loan guarantees
 - Contractual obligations
 - Landfill closure & post closure liabilities
 - Environmental liabilities
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Training Sessions

- Important that all CAOs and finance staff attend.
 - Need to explain PSAB to councils.
 - Also important to invite your auditor.
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Phase III – Financial Statements

- F/S Working Group will be formed in the spring of 2008
 - Release a manual in early 2009
 - Training sessions on F/S will be offered in 2009
 - Timing & length of 2009 training sessions are yet to be determined
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Questions?
