
Moving PSAB GAAP Forward

**MMAA District Meetings
September, 2007**

Moving PSAB GAAP Forward

- What's Happening with TCA
 - What's Next in PSAB Implementation
 - Monitoring the Implementation of PS3150
 - An Initiative by the AMM to Help Munis
 - Reporting of Expenses
 - PSAB Chart of accounts
 - Getting Councils to “Buy Into” PSAB
 - Key Milestone Dates
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TCA Training Sessions

- First round of training sessions on TCA are now almost complete
 - > 350 CAOs, municipal staff, and auditors attended 20 training sessions that were held in 6 centres
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TCA Training Sessions

- Like to thank the training session leaders:
 1. **Denise Hitchins** – Director of Finance, City of Brandon
 2. **Brad Collett** – CAO, City of Dauphin
 3. **Nettie Neudorf** – Director of Finance, City of Portage la Prairie
 4. **Ron Wells** – IAF, Supervisor of Municipal Accounting
 5. **Wendy Wolfe** – IAF, Municipal Finance Officer
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TCA Work Group

- Also like to thank the WG members:
 1. **Denise Hitchins** – Director of Finance, City of Brandon
 2. **Brad Collett** – CAO, City of Dauphin
 3. **Ron Wells** – IAF, Supervisor of Municipal Accounting
 4. **Wendy Wolfe** – IAF, Municipal Finance Officer
 5. **Gregory Bradshaw** – Collins Barrow
 6. **Bill Key** – Meyers Norris Penny
 7. **Todd Birkhan** – BDO Dunwoody
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TCA – Key Milestone Dates

- 1. Complete the listing of your TCA as of **Dec 31, 2007****
 - 2. Complete the valuation of your TCA by **March 31, 2008****
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New Working Groups

- The Municipal Reporting Entity (MRE) & Consolidations
 - Environmental Liabilities
 - Includes landfill closure & post closure costs
 - Both Work Groups will produce a manual for early spring 2008
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Future Training Sessions

- Mid June to mid September 2008
 - 1 day training session on:
 1. The MRE & Consolidations
 2. Environmental Liabilities
 - Training sessions on the new F/S will take place during 2009
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Monitoring – Implementation of TCA

- Monitoring the implementation of PSAB is a critical success factor in the plan
 - The implementation of PS3150 at the municipal level has to be monitored by the Project Team
 - Project Team will use Public Sector Guideline 7 (PSG-7) to monitor the implementation of PS3150
 - PSG-7 is a transitional provision and is effective for fiscal years starting January 1, 2007
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Monitoring – Implementation of TCA

- PSG-7 says disclose the same information that would be required for PS3150
 - Disclose in the notes to F/S how much work you have done and not done
 - Disclose implementation tasks and asset classes that are uncompleted
 - If you haven't done anything yet, then just say so
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Monitoring – Implementation of TCA

- Munis will be required to disclose their progress on TCA in the notes to the Dec 31, 2007 & 2008 F/S
 - Under GAAS, auditors will be required to verify the information
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Monitoring – Implementation of TCA

- Instructions and sample notes will be provided to the munis
 - Auditors will be instructed in the 2007 audit letter
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Monitoring – Implementation of TCA

- Benefits to munis & auditors of disclosing progress under PSG-7?
 1. Early Warning System
 - If TCA is done incorrectly then at least the muni has time to correct the problems before 2009
 2. Reduces the amount of audit work required for 2009 F/S
 - Opening TCA balances will be audited in 2007
 - Additions, disposals and amortization in 2008 will be audited in 2008
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AMM - Helping Munis With PSAB

- AMM has agreed to contract CA firms to assist munis directly with PSAB
 - CA firms will work under a fee for service agreement
 - Field Reps will work under the supervision of the Project Manager
 - Field Reps from the CA firms will be at the student or recent graduate level
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AMM - Helping Munis With PSAB

- Field Reps would visit munis in the field and provide **technical support**:
 - ❑ Selecting suitable accounting policies for your TCA
 - ❑ Evaluate your TCA Work Plan
 - ❑ Review your TCA listing for completeness
 - ❑ Ensure your TCA is properly valued
 - ❑ Using the TCA Continuity Schedule
 - ❑ Required disclosure under PSG-7
 - ❑ Recording TCA balances into GL
 - ❑ Help with entries for additions, disposals & write downs
 - ❑ Other PSAB issues as implementation progresses
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AMM - Helping Munis With PSAB

- Field Reps are not being retained to do your work:
 - ❑ Take inventory of your TCA
 - ❑ Pull out invoices to cost your TCA
 - ❑ Determine the value of infrastructure
 - ❑ Do your accounting entries
 - ❑ Prepare your F/S for the 2007 audit
 - ❑ Answer the telephone
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AMM - Helping Munis With PSAB

N.B. – VERY IMPORTANT

- **Do not call the AMM about getting field help with PSAB**
- **Call the Project Manager:**

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Reporting of Expenses

- **PS1200.074(b)**

“The statement of operations should report the expenses of the period by function or major program.”

- **PS1200.083**

“F/S should disclose the expenses of the accounting period by object”

Reporting of Expenses

- Continue to use the same expense by function groupings for the 2009 statement of operations:
 - ❑ General Government Services
 - ❑ Protective Services
 - ❑ Transportation Services
 - ❑ Environmental Health Services
 - ❑ Public Health and Welfare Services
 - ❑ Environmental Development Services
 - ❑ Recreational & Cultural Services
 - ❑ Water & Sewer Services
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Reporting of Expenses

- Examples of expenses by object:
 - ❑ Personnel Services (Salaries, Wages & Benefits)
 - ❑ Contract Services
 - ❑ Utilities (hydro, gas, water, telephone, etc.)
 - ❑ Maintenance Materials & Supplies
 - ❑ Grants & Contributions
 - ❑ Amortization
 - ❑ Interest on Long Term Debt
 - ❑ Other Operating
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Reporting of Expenses

- Expenses by object is also referred to as expenses by type
 - Expenses by object are normally disclosed in a note or schedule to the financial statements
 - Note 19 - Dec 31/06 City of Winnipeg F/S
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Reporting of Expenses

- If you are not already doing so, munis should begin using object codes for your expenses beginning January 1, 2008
 - Doing so will save you a lot of grief when it comes time to prepare your 2009 F/S
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PSAB Chart of Accounts

- Currently in the process of developing a new PSAB Chart of Accounts
 - PSAB Chart of Accounts:
 1. Uses the old chart of account numbers as a start
 2. New GL accounts added for:
 - TCA (cost, accumulated amortization & amortization)
 - Accrued liabilities, amounts receivable, inventories, prepaids
 - Investments (temporary, portfolio & GBP)
 3. GL reporting will use headings & presentation for 2009 PSAB F/S
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PSAB Chart of Accounts

- Currently in discussions with Munisoft
 - Munisoft upgrade can convert your old GL chart of accounts into the new PSAB chart of accounts
 - Conversion can be done anytime during the year
 - Will follow up with other major software providers
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Getting Councils to “Buy In” – Role of the CAO

- CAO is probably the most influential person in getting Council to “buy into” PSAB
 - Getting Council to “buy in” will ensure that you have the resources necessary to implement PSAB:
 - Human Resources
 - Software
 - Contract Services
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Getting Councils to “Buy In” – Role of the CAO

- Need to advise council of the **benefits** & **necessity** to adopt PSAB
 - Refer to the:
 - Leader article “*Moving PSAB Forward*” in the Summer 2007 issue
 - OAG - Sept/02 “*Review of Municipal Financial Accounting and Reporting Standards in Manitoba*”
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Getting Councils to “Buy In” – Role of the CAO

- **Benefits** – Current F/S omit important info. PSAB presents the “full financial picture”:
 1. Full summary F/S with elimination of inter-fund balances and transactions
 2. Recording & amortization of TCA
 - TCA represents the largest investment by munis
 3. Accrual accounting
 - Expenses recorded when incurred, not when paid
 - e.g. Landfill closure & post closure costs.
 4. Consolidation of entities under control or shared control
 - Controlled entities are extensions of the muni
 - e.g. Planning & Zoning/Planning Districts
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Getting Councils to “Buy In” – Role of the CAO

- If the **benefits** of PSAB doesn't sway your council then remind them of the **necessity**:
 1. All governments in Canada are required to use PSAB - Otherwise qualified audit opinion in 2009
 2. Federal Gas Tax Agreement:
 - **5(I)** - *“municipality ensures that by March 31/10 it is using GAAP”*
 - Non-compliance could affect your eligibility
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Getting Councils to “Buy In” – Role of the CAO

- **Necessity** (cont'd)

- 3. Required by the ***Municipal Act*** since 1997

- **183(1)** – A municipality must prepare F/S “*in accordance with GAAP for municipal governments recommended from time to time by the CICA and any modification of those principles or any supplementary accounting standards or principles approved by the minister.*”
 - Ministers of IAF have made no significant modifications since the *Act* came into force.
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Getting Councils to “Buy In” – Role of the CAO

- Conclusions of OAG Review in Sept/02:
 1. As per section 183(1) MB munis are required to use PSAB
 2. Current F/S are not PSAB and are difficult to understand
 3. Munis in other provinces have adopted PSAB
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Getting Councils to “Buy In” – Role of the CAO

- Conclusions of OAG Review in Sept/02 (cont'd):
 4. By requiring munis to submit F/S in the current format the Province has not promoted the adoption of PSAB
 5. The delay in implementing PSAB has contributed in financial reporting that is neither understandable or comparable. This has created a lack of transparency and may have hampered decision making.
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Getting Councils to “Buy In” – Role of the CAO

- Munis are entrusted with public funds therefore audits are a necessary cost of doing business
 - It is unfortunate but audit costs for 2009 will go up from 2008
 - 2010 audit costs may go down but not likely back to 2008 levels
 - Can't tell what audit costs will be but I can tell you why they will go up
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Getting Councils to “Buy In” – Role of the CAO

- Auditors will need to do additional work to verify:
 1. Opening balances for TCA (shifted to 2007 with PSG-7)
 2. 2008 comparative figures – also have to be PSAB
 3. Material accruals which were previously unrecorded
 4. Increased disclosure requirements for PSAB F/S
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Key Milestone Dates

1. Dec 31/07 – Do a proper full accrual cut-off:

- ❑ Accounts payable
- ❑ Accrued liabilities
- ❑ Amounts receivable
- ❑ Inventories
- ❑ Prepays

*** The “balance sheet” is just as important as the statement of operations!**

Key Milestone Dates

2. **Dec 31/07** – Complete the listing of your TCA
 3. **Jan 1/08** – Begin using object codes for your expenses
 4. **March 31/08** – Complete the valuation of your listing of TCA at Dec 31/07
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Questions?
