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# Understanding PSAB

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**Association of Manitoba Municipalities  
District Meetings  
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# Introduction

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  - Project Manager
    - PSAB Compliance Implementation for Municipalities
    - Department of Intergovernmental Affairs
    - Municipal Finance and Advisory Services
  - Secondment from the OAG
  - 3 years on the Public Accounts of MB
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# Presentation Outline

- What is PSAB?
  - When must PSAB be implemented?
  - Key differences between PSAB & Current Practice
  - Benefits of PSAB
  - What happens if municipalities do not comply
  - How will PSAB be implemented?
  - How can elected officials help?
  - What are the first steps?
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# What is PSAB?

- **Public Sector Accounting Board** of the Canadian Institute of Chartered Accountants
  - Regulates accounting principles and practices for **all government levels** across Canada
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# What is PSAB?

- Another step towards accountable & transparent government
  - Part of the environment we all work in
  - Created to address inconsistent accounting and reporting practices in the public sector
  - Public sector entities are required to use PSAB GAAP
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# When?

- Fiscal years starting Jan 1/09
  - The first set of PSAB financial statements in MB will be for Dec 31/09
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# When?

But it's sooner than you think:

- 2009 financial statements will require comparative figures for 2008

This means:

- Starting in 2008, municipalities will have to begin gathering information that they will need for the 2009 financial statements
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# When?

- Municipalities in other provinces are already complying with PSAB
    - B.C
    - Alberta
    - Saskatchewan
    - Ontario
    - Nova Scotia
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# Key Differences

- Jan/07 - AMM & Dept hired a consultant:
    - Review current accounting practices
    - Develop an implementation plan
  - Consultant's report identified 4 major differences:
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# Key Differences

## 1) Accounting for tangible capital assets (TCA):

- Current practice is to expense TCA
  - PSAB requires the capitalization of TCA and recognition of the expense for using the asset over time
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# Key Differences

- 1) TCA (cont'd) – TCA includes:
    - buildings, vehicles, equipment and computers
    - Also includes infrastructure:
      - ❑ Roads & Streets
      - ❑ Bridges
      - ❑ Water & Sewer Systems
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# Key Differences

- 2) Including the financial results of all the entities that are under the control or shared control of the municipality
    - Consolidation of:
      - Library boards
      - Weed control districts
      - Recreation districts
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# Key Differences

## 3) Accrual of all liabilities as they are incurred

- Currently using a cash basis
  - Includes:
    - ❑ Salary & wages payable
    - ❑ Vacation payable
    - ❑ Vested sick leave
    - ❑ Landfill closure & post closure costs
    - ❑ Environmental liabilities
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# Key Differences

## 4) F/S presentation & disclosure requirements:

- Current financial statements leave a lot of info out
  - PSAB will present the “full” financial picture
  - Uses 1 set of summary financial statements instead of presenting results by funds
  - This could result in a municipality moving from a surplus to a deficit position
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# Benefits of PSAB

- Transparency & Accountability
    - PSAB F/S present the “full” financial picture
    - Councils will have better information to make decisions
    - Allows for better analysis for the future
    - More accurately reflects risk
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# Benefits of PSAB

- Useful & understandable statements
    - Council
    - Public
  - Comparability
    - one accepted set of accounting rules  
reinforces credibility of public sector financial statements
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# Benefits of PSAB

- The reporting and amortization of TCA will provide:
    - Better recognition of the cost of using an asset to deliver services
      - Full costing of services – e.g. garbage services
    - Better recognition of future funding needs
      - Cash reserves do the same but they are optional
    - Improved data for capital planning & reporting
    - Info on the age of your TCA & remaining service life
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# Non Compliance?

- Municipal auditor must qualify his audit opinion
  - Could affect financing costs with banks
  - Public concern over council's management practices
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# Non Compliance?

- Federal Gas Tax agreements require that municipalities comply with PSAB
  - Affect eligibility for other Federal & Provincial programs
  - Contravention of Provincial legislation
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# How Will PSAB Be Implemented?

- Steering Committee established to oversee the implementation by Project Team
  - Comprised of representatives from:
    - AMM
    - MMAA
    - Department of IGA
  - Provide leadership and direction
  - Ensure that key project milestones are met
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# How Will PSAB Be Implemented?

- Project Team resourced by both the AMM and the Dept
  - CAOs are also volunteering as trainers & Work Group members
  - Project Team will address technical issues created by the move to PSAB:
    - Develop practical user friendly manuals
    - Training and advice
    - One on one assistance to municipalities
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# How Will PSAB Be Implemented?

- Adoption of PSAB is a major undertaking
  - Take 3 years to complete
  - Significant one time “bulge” effort to implement
  - Significantly less effort required to sustain compliance beyond 2009
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# How Will PSAB Be Implemented?

- Implementation plan addresses this by breaking the process into “manageable pieces”
  - Plan has recommended milestones to be achieved by key target dates
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# How Will PSAB Be Implemented?

- Timeline is tight
  - Municipalities in other provinces only have to implement TCA by 2009
  - Manitoba is starting from further behind
  - Critical that municipalities meet all the target dates
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# How Can Elected Officials Help?

- Encourage your CAO and accounting staff to attend training sessions
  - Training of CAOs and their staff is a critical success factor in the implementation plan
  - If CAO is planning to retire in the next 3 years ensure that staff receive training
  - Council & CAO need to evaluate time and resources required to implement PSAB
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# What Are The 1<sup>st</sup> Steps

- TCA is the first major issue addressed
  - TCA reference manual is available on the AMM PSAB web-site
  - 22 separate 1 day training sessions on TCA have been scheduled starting in late June to late Sept
  - Registrations are now being accepted through the AMM PSAB web-site
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# What Are The 1<sup>st</sup> Steps

- First 2 major milestones are:
    - 1) Identification of all municipal TCA by Dec 31/07
    - 2) Valuation of TCA by March 31/08
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Questions?

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