

PSAB GAAP for Manitoba Municipalities

Reference Manual Financial Statement Presentation & Disclosure

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**This Manual has been developed in partnership between the
Association of Manitoba Municipalities and Manitoba Intergovernmental Affairs**

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PREFACE

This manual has been prepared as a useful and practical reference to help CAOs understand the basic presentation and disclosure requirements for GAAP financial statements. This includes the notes and schedules which are an integral part of the financial statements.

This manual has been prepared by the Financial Statement Presentation & Disclosure Working Group and approved by the PSAB Implementation Steering Committee. This manual is not meant to be the final authoritative source on financial statement presentation and disclosure. The CICA Handbook is the final authoritative source.

The manual is divided into 4 sections:

Section 1 - Financial Statement Concepts and Objectives

Section 1 provides an overview of the key concepts for preparing general purpose government financial statements:

1. **Elements** or basic financial statement classifications
2. **Qualitative characteristics** or the features that maximize the usefulness of financial statements to users.
3. **Objectives** which provide the basis for developing financial statement standards.

Section 2 - Standards of Financial Statement Presentation

This section describes the general reporting principles and standards of financial statement presentation. Examples of the four statements required by PSAB are provided in this section.

Section 3 - Financial Statement Note Disclosures

The notes are an integral part of the financial statements. Section 3 will provide an overview of the basic note disclosure that all municipalities will likely have to prepare for 2009.

Section 4 - Schedules to the Financial Statements

Section 4 will provide an overview of the schedules that municipalities will have to prepare for 2009. Examples of completed schedules are provided in this section.

Section 1 – Financial Statement Concepts and Objectives

General Purpose Financial Statements:

All municipalities in Canada publish financial statements that display their financial position and changes in financial position in the period. These statements are **general purpose financial statements** that serve, to the extent possible, the needs of a variety of users.

General purpose financial statements are:

- commonly required by legislation
- audited
- issued annually
- while most often addressed to councils, they are available to all interested parties.

General purpose financial statements cannot fulfill all the needs of users. Nonetheless they are a central feature of government financial reporting.

PSAB has developed a set of overriding guiding principles. These principles should be followed when preparing general purpose financial statements. They are the:

1. **Elements of financial statements** or the basic categories of items portrayed in financial statements;
2. **Qualitative characteristics of financial statements** are the qualities that maximize the usefulness of the financial information to the users; and
3. **Financial statement objectives** which provide the foundation for developing financial reporting standards.

1.1 Elements of Financial Statements (PS1000)

Elements of financial statements are basic categories of items portrayed in financial statements. There are two basic types of elements:

- (i) Those that display the economic resources available at a point in time (i.e. balance sheet, assets and liabilities), and
- (ii) Those that describe changes in economic resources over a period of time (i.e. income statement, revenues and expenses).

The notes and schedules to financial statements, which are useful for the purpose of providing further clarification or information, are not considered to be an element of financial statements. Note disclosures and schedules required for the 2009 financial statements are presented in **Section 3** and **Section 4** of this manual.

The elements of government financial statements include:

- a) Assets:
 - Financial Assets
 - Non-financial Assets

- b) Liabilities
- c) Revenues
- d) Expenses

PSAB financial statements are based on an asset and liability model. Revenues and expenses are expressed in terms of **increases or decreases in assets and liabilities**. Operating results for an accounting period can only result from changes in assets and liabilities. If an item does not meet the definition of either an asset or a liability, then it cannot be included as a balance in the financial statements.

1.1.1 Assets:

Assets are economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

Assets have three essential characteristics:

- a) They **embody a future benefit** that involves a capacity, singly or in combination with other assets, to provide future cash flows, or to provide goods and services;
- b) The government can **control access to the benefit**; and
- c) The **transaction or event giving rise** to the government's control of the benefit **has already occurred**.

An item is not an asset if it lacks one or more of the essential characteristics. Examples of assets are provided below:

	Taxes Receivable	Purchase of a Grader (TCA)
Transaction or event giving rise to benefit has already occurred.	<ul style="list-style-type: none"> • Municipality has provided goods and services. 	<ul style="list-style-type: none"> • Municipality has purchased or developed TCA.
Embodies a future benefit to the municipality.	<ul style="list-style-type: none"> • Amount receivable will provide future cash flow. 	<ul style="list-style-type: none"> • TCA can be used to provide goods and services.
Municipality controls access to the benefit.	<ul style="list-style-type: none"> • As the creditor of the amount receivable the municipality controls the benefit. 	<ul style="list-style-type: none"> • Municipality controls the physical access to the asset.

Financial assets are assets that can be used to pay existing liabilities or finance future operations, and are not for consumption in the normal course of business.

A financial asset is any asset that is:

- a) Cash;
- b) A realizable asset that is convertible to cash (i.e. 30 day GIC)
- c) A contractual right to receive cash from another party (i.e. an amount receivable)

- d) A temporary or portfolio investment
- e) A financial claim on an outside organization or individual (i.e. loan receivable); or
- f) An inventory item for sale

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to pay existing liabilities, but instead:

- a) Are normally employed to deliver government services;
- b) May be consumed in the normal course of operations; and
- c) Are not for sale in the normal course of operations.

Non-financial assets include:

- a) Tangible capital assets
- b) Inventories held for consumption or use; and
- c) Prepaid expenses.

1.1.2 Liabilities:

Liabilities are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits.

Liabilities have three essential characteristics:

- a) They embody a **duty or responsibility to others**, leaving a government **little or no discretion to avoid** settlement of the obligation;
- b) The duty or responsibility to others entails **settlement by future transfer or use of assets**, provision of goods and services, or other form of economic settlement **at a specified or determinable date**, on occurrence of a specified event, or on demand; and
- c) The transactions or **events obligating the government have already occurred**.

Liabilities, contingent liabilities, and obligations are discussed in much greater detail in section 1 of the “Obligations, Environmental Liabilities & Landfills” reference manual. The manual can be downloaded from the AMM PSAB web-site at <http://www.amm.mb.ca/PSAB.html>.

1.1.3 Revenues:

Revenues, including gains, are increases in economic resources, either by way of increases of assets or decreases of liabilities, resulting from operations, transactions or events of the accounting period.

Revenues include:

- Taxes
- Sale of goods
- Rendering of services (i.e. user fees)
- Rents, interest, royalties or dividends
- Grants, donations, bequests

Revenues **do not include borrowings**, such as proceeds from debt issues **or transfers** from other governmental units in the government reporting entity, or amounts collected on behalf of others. **Levies collected on behalf of the school divisions should not be included in the revenues of the municipality.**

1.1.4 Expenses:

Expenses, including losses, are decreases in economic resources, either by way of decreases in assets or increases in liabilities, resulting from operations, transactions and events of the accounting period.

Expenditures represent the cash outlay for goods and services acquired during the accounting period. In comparison, expenses represent the cost of goods and services consumed during the period. **Expenses should be accrued when they are incurred.**

Expenses include the amortization of tangible capital assets.

Expenses **do not include debt repayments or transfers** to other governmental units in the government reporting entity.

1.2 Qualitative Characteristics of Financial Statements (PS1000)

Financial statements should communicate information that is relevant to the needs of those for whom the financial statements are prepared, reliable, comparable, understandable and clearly presented in a manner that maximizes its usefulness.

1.2.1 Relevance:

Financial statements are relevant when they help users make decisions. Financial statements are relevant if they provide information that:

- Has **predictive** and **feedback** value;
- Provides **accountability**; and
- Is **timely**.

a) Predictive and feedback value:

Financial statements do not normally have predictive value. The predictive value of the statement of operations is enhanced if abnormal items are separately disclosed. However, information that confirms or corrects previous predictions has feedback value. An example would be when a municipality realizes a very large gain from the sale of a tangible capital asset. This would not be a normal recurring source of revenue.

b) Accountability:

Information that helps users assess a government's stewardship of the resources entrusted to it has accountability value. Accountability is enhanced when financial statements compare actual results against financial objectives and targets (i.e. budgets).

c) Timeliness:

Information should be timely. Financial statements issued long after the fiscal period are not very useful. In order for information to be useful, the decision maker must receive the information before it loses the capacity to influence decisions.

1.2.2 Reliability:

Information should be reliable. Inaccurate, inappropriate or incomplete information, or information that is biased or does not faithfully represent what it purports to represent, will inhibit rather than enhance understanding and decision making by users.

Reliable information has the following characteristics:

a) Representational faithfulness:

Representational faithfulness is achieved when transactions and events are accounted for and presented in a manner that **conveys their substance rather than necessarily their legal or other form.**

The substance of a transaction may not always be consistent with its legal or other forms. A common example is a capital lease. The legal title to a piece of equipment may remain with the lessor, but the lessee has taken on all the risks and benefits of ownership. The lessee therefore accounts for the transaction exactly as if he had borrowed funds and purchased the equipment outright.

b) Completeness:

Completeness means providing sufficient information about transactions, circumstances or events of such size, nature or incidence that their disclosure is necessary to understand the government's finances.

c) Neutrality:

Information is neutral when it is free from bias. To be neutral, accounting information must report economic activity as faithfully as possible, without colouring the image it communicates for the purposes of influencing behaviour in some particular direction.

d) Conservatism:

The principle of conservatism applies to situations when estimates must be made in conditions of uncertainty. When uncertainty exists, conservative estimates would ensure that assets and revenues are not overstated or liabilities and expenses are not understated.

However, the principle of **conservatism does not mean the deliberate understatement of assets and revenues and the deliberate overstatement of expenses and liabilities.**

e) Verifiability:

The financial statement representation of a transaction is verifiable if a knowledgeable and independent observer would concur that it is in agreement with the actual underlying transaction with a reasonable degree of precision. Verifiability focuses on the measurement of a transaction rather than its appropriateness.

1.2.3 Comparability:

Comparison of financial information **between municipalities** is facilitated when all municipalities follow the same standards in preparing their financial statements. The adoption of PSAB GAAP by all municipalities permits meaningful comparison between municipalities in Manitoba and in other jurisdictions.

Consistency in the application of accounting policies **between periods** also facilitates comparability. Misconceptions may result from the application of different accounting policies in different periods. When a change in accounting policy is appropriate, disclosure of the effects of the change is necessary to maintain comparability.

1.2.4 Understandability:

Information should be understandable and clearly presented. Excessive detail and complex presentation formats result in confusion and misinterpretation. Users need information presented clearly and simply. For information to be useful, it must be capable of being understood by users.

1.2.5 Qualitative Characteristic Trade-off:

In practice, there are often trade-offs between qualitative characteristics. The aim is to achieve an appropriate balance between the characteristics. There is often a trade-off between relevance and reliability.

For example, surplus land for sale has to be valued at the lower of historical or net realizable value. Valuing the land at its fair market value would be more **relevant** but it would be less **reliable** than historical cost.

1.3 Financial Statement Objectives (PS 1100)

Financial statement objectives provide the foundation for developing financial statement reporting standards. The financial statement objectives improve government financial reporting and enhance their comparability.

1.3.1 Objective #1 - Scope of Government Financial Statements:

Financial statements should provide an accounting of the full nature and extent of the financial affairs and resources which the government controls, including those related to the activities of its agencies and enterprises (PS1100.16).

GAAP requires that municipalities consolidate all the entities they control. The consolidation of controlled entities provides a complete picture of the activity, assets and liabilities of the municipality. The municipality and its controlled entities make up the municipal reporting entity

or MRE. For more information on the MRE and consolidations please see the reference manual “The Municipal Reporting Entity & Consolidations”. It can be downloaded from the AMM PSAB web-site at <http://www.amm.mb.ca/PSAB.html>.

1.3.2 Objective #2 - Reporting Financial Position

Financial statements should present information to describe the government’s financial position at the end of the accounting period. Such information should be useful in evaluating (PS1100.20):

- (a) The government’s ability to finance its activities and to meet its liabilities and contractual obligations (i.e. net financial asset position); and*
- (b) The government’s ability to provide future services (i.e. accumulated surplus).*

A government’s net financial asset position is the difference between its liabilities and financial assets. A government’s net financial asset position is an important indicator of a government’s financial position. A net debt position represents a “lien” on the ability of the government to provide future services. A net financial asset position represents available economic resources which can be used to provide future government services.

Non-financial assets do not generate net cash inflows unless they are sold and thus converted back into financial assets. Non-financial assets are added to the net financial assets to calculate the other indicator of a government’s financial position; its accumulated surplus or deficit. Non-financial assets represent “prepaid service potential”. Reporting a government’s recognized non-financial resources as part of its financial position provides information necessary for a more complete understanding of a government’s debt position.

1.3.3 Objective #3 - Reporting Changes in Financial Position

Financial statements should present information to describe the changes in a government’s financial position in the accounting period. Such information should be useful in evaluating (PS1100.36):

- (a) The sources, allocation and consumption of the government’s recognized economic resources in the accounting period (i.e. statement of operations);*
- (b) How the activities of the accounting period have affected the net financial asset position of the government (i.e. statement of change in net financial assets); and*
- (c) How the government financed its activities in the accounting period and how it met its cash requirements (i.e. statement of cash flow).*

A statement of operations should show:

- a) How and where a government gets its revenues;
- b) Expenses by function or major program to display the resources consumed by each type of government activity, and
- c) Expenses by object to disclose the nature of resources consumed by a government.

The statement of change in net financial assets summarizes:

- a) The extent that the cost of services provided have been met by revenues;
- b) The extent of capital expenditures in the period; and
- c) The extent which capital expenditures have been met by the revenues recognized in the period.

The statement of cash flow summarizes how a government financed its activities and met its obligations through:

- a) Operations
- b) External borrowing
- c) Existing cash balances

The amount of cash arising from operating activities is a key measure of the extent to which the operations of a government have generated sufficient cash flows to invest in new capital assets and repay loans.

1.3.4 Objective #4 - Legislative Control & Financial Accountability

Financial statements should demonstrate the accountability of a government for the resources, obligations and financial affairs for which it is responsible by providing information useful in (PS1100.61):

- (a) Evaluating the financial results of the government's management of its resources, obligations and financial affairs in the accounting period; and*
- (b) Assessing whether resources were administered by the government in accordance with the limits established by the appropriate legislative authorities.*

Important accountability information about the budget decisions of the current period is provided when financial statements include a comparison of the government's actual and planned operating results.

If a government's formal budget is prepared on a different basis of accounting or for a different scope than its financial statements, the government needs to convert its formal budget to the same basis and scope used for the financial statements. The financial statements will need to include the reconciliation between the formal budget approved by council and the "PSAB" budget presented in the financial statements.

Section 2 – Standards of Financial Statement Presentation

GAAP financial statements shall include the following:

- (a) Statement of financial position
- (b) Statement of operations
- (c) Statement of change in net debt
- (d) Statement of cash flow

2.1 General Reporting Principles

The function of financial statements is to communicate information to users that is relevant. The 10 general reporting principles provide guidance to fulfill that function:

1. The financial statements of a government should be clearly identified and should include an acknowledgement of the government's responsibility for their preparation.
2. Notes and schedules that are integral to the financial statements should be clearly identified.
3. Notes and supporting schedules should not be used as a substitute for proper accounting treatment.
4. Financial statements shall present any information required for the fair presentation of a government's financial position, result of operations, change in net debt, and cash flow.
5. Financial statements should be presented in such form and use such terminology and classification of items that significant information is readily understandable.
6. Financial statements should provide a comparison of current period amounts with those of the prior period.
7. Financial statements should be issued on a timely basis.
8. The basis for determining the reported amounts of assets and liabilities should be applied consistently and, where the basis is not self-evident, it should be disclosed.
9. Where the financial statements are subject to an independent audit, the auditor's report should be appended to the statements. Unaudited financial statements should be clearly identified as such.
10. Financial statements should present the substance of transactions and events.

2.2 Statement of Financial Position

The statement of financial position highlights 4 key figures that describe the financial position of the government:

- (a) Financial assets
- (b) Net debt position
- (c) Non-financial assets
- (d) Accumulated surplus or deficit

2.2.1 Financial Assets:

Financial assets represent the resources available to discharge existing liabilities or finance future operations. The following list of financial assets is not a comprehensive list but includes accounts common to most municipalities. The main financial asset classifications are:

Cash and cash equivalents:

- Cash and demand deposits
- Short term, highly liquid investments, held for meeting short term cash commitments rather than for investing
- Bank overdrafts
- Bank balances at December 31st **should not** include held cheques or payments issued after year end. These should be reclassified to accounts payable.

Temporary investments:

- Short term investments, made to obtain a return on a temporary basis, capable of prompt liquidation
- Not more than 90 days to maturity from the date of acquisition
- Marketable securities, GICs, term deposits, treasury bills

Amounts receivable:

- Amounts receivable within one year of the financial statement date
- Tax assets, government grants receivable, other government amounts receivable, amounts receivable from organizations and individuals, accrued interest receivable, etc.
- Amounts receivable beyond one year at the financial statement date should be included in loans and advances

Inventories for resale:

- Inventories for sale or other assets such as real estate held for sale.
- Assets held for sale should be recognized as a financial asset if:
 - (i) The government is committed to selling the asset;
 - (ii) The asset is in a condition to be sold;
 - (iii) The asset is publicly seen to be for sale;
 - (iv) There is an active market for the asset;
 - (v) There is a plan in place for selling the asset; and
 - (vi) It is reasonably anticipated that the asset will be sold outside the MRE within one year of the reporting date.

- Real estate that will not be sold within one year of the financial statement date should be included in tangible capital assets (i.e. non-financial asset)
- Inventories for sale which will not be sold within one year of the financial statement date should be included in inventories for consumption (i.e. non-financial asset)

Loans and advances

- A financial asset represented by a promise by a borrower to repay a specific amount at a specific time or times, or on demand, usually with interest receivable.
- Loans receivable

Portfolio investments

- Long term investments of organizations that do not form part of the municipal reporting entity.
- Investments are normally in shares or debentures of the investee

2.2.2 Liabilities:

The statement of financial position should report liabilities segregated by main classifications. The following list of liabilities is not a comprehensive list but includes accounts common to most municipalities.

Accounts payable and accrued liabilities:

- Accounts payable (trade, holdbacks, CPP, EI, GST, MEBP, disability insurance, school division levy)
- Accrued salaries and wages
- Accrued holidays payable
- Accrued overtime payable
- Accrued audit fees
- Accrued interest payable

Liabilities for employee future benefits:

- Severance or termination benefits
- Vested sick leave
- Pension liabilities for defined benefit plans
- Most municipal workers are members of the Municipal Employees Benefits Plan (MEBP). MEBP is a multi-employer defined benefit pension plan and is treated as a defined contribution plan.

Deferred revenue:

- Taxes and fees collected for which the related service has not yet been performed.
- Deposits
- Prepaid taxes
- Tax levies in advance

Liability for remediation of contaminated sites (i.e. Environmental liabilities)

Landfill closure and post closure liabilities

Borrowings (principal):

- Debentures
- Bank loans

Obligations under capital leases**Loans from other governments**

The government's net debt, or net financial assets, position is its financial assets less its liabilities.

Is being in a net debt position a contravention of the *Municipal Act (1997)*?

No, being in a net debt position is not a contravention of the *Act*. In fact the terms net debt or net financial assets are not even mentioned in the *Act*. The *Act* simply states that you cannot budget for a deficit without first getting permission of the Minister (164(3)). If a council determines that it will incur an actual deficit during a fiscal year it must immediately advise the Minister (165(1)).

Is being in a net debt position bad? What does it mean?

Being in a net debt position is not bad as long as it is manageable. Being in a net debt position simply means that you currently do not have enough financial assets to discharge all your liabilities at the financial statement date. However some liabilities will not result in cash outflows for many years. Landfill closure costs and severance payable are good examples. A municipality thus normally has time to plan and manage itself into a net financial asset position.

2.2.3 Non-financial Assets:

The statement of financial position should report non-financial assets segregated by main classifications. The following list of non financial assets is not a comprehensive list but includes accounts common to most municipalities.

Tangible capital assets:

- Land, land improvements, buildings, vehicles, office equipment, machinery, roads, street, bridges, dams, water mains, sewers, sewage treatment facilities, pump stations, reservoirs, etc.

Inventories:

- Inventories for consumption or use by the municipality
- Aggregate, fuel, herbicides, insecticides, parts inventory, materials, culverts, etc.

Prepaid expenses:

- Prepaid insurance
- Deposits paid by the municipality

The government's accumulated surplus, or its accumulated deficit, is its net debt/net financial asset position plus its non-financial assets.

What is the accumulated surplus?

The accumulated surplus, or accumulated deficit, is the accumulation of the municipality's annual surpluses and deficits since its inception.

Does the accumulated surplus represent extra cash which the municipality can use to spend?

No, your accumulated surplus is partially made up of excess cash but it also includes non cash items. More accurately, your accumulated surplus is made up of the amount your financial assets exceed your liabilities (i.e. net financial assets or net debt) plus your non-financial assets which includes your tangible capital assets (TCA). TCA will normally comprise the most significant portion of a municipality's accumulated surplus. In the normal course of business a municipality cannot sell its TCA and then use the proceeds to discharge their liabilities.

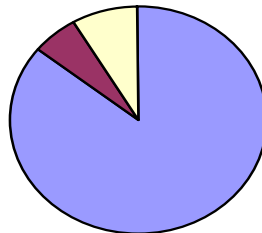
As an example, a pie chart breakdown of the City of Winnipeg's accumulated surplus at December 31, 2006 is provided below.

How does the accumulated surplus differ from the nominal surplus in the old statements?

The nominal surplus in the old statements was simply an unrestricted surplus. Your accumulated surplus includes your equity in your TCA and reserve balances in addition to your nominal surplus.

	Net Book Value of TCA
Less:	Long Term Debt and Capital Lease Obligations
	Equity in TCA (i.e. Capital Surplus)
Plus:	Restricted Surplus (i.e. Reserves)
Plus:	Unrestricted Surplus (i.e. Nominal Surplus)
Equals:	Accumulated Surplus

**City of Winnipeg - Accumulated Surplus
December 31, 2006**



■ Equity in TCA (\$3,222M)	■ Restricted Surplus (\$223M)
■ Unrestricted Surplus (\$314M)	

2.2.4 Town of Belle Plaine – Prepare the Statement of Financial Position

Linda Anderson, CAO for the Town of Belle Plaine, is ready to prepare her consolidated financial statements for the year ended December 31, 2008. Her trial balance at December 31, 2008 is displayed in **Exhibit 1**, page 18. The Town has an operating fund, reserve funds and a utility. It also has one controlled entity (i.e. CDC) and two government partnerships (i.e. regional library and planning district). Linda must first:

- 1) Consolidate her funds (**Exhibit 2**, page 19);
- 2) Consolidate her non consolidated balances with her CDC and her government partnerships. The entity balances for consolidation are given (**Exhibit 3**, page 20); and
- 3) Prepare her statement of financial position (**Exhibit 4**, page 21). The 2008 comparative balances are given and were previously prepared.

Local Urban Districts:

Belle Plaine is a town therefore it does not have a local urban district (LUD). For the purpose of consolidating funds, rural municipalities should treat LUDs as another operating fund. Therefore for Exhibit 2 – Consolidation of Funds you would have to add a column for each LUD they have. Transfers from the Operating Fund/Fiscal Services and taxation revenue in the LUD have to be eliminated.

The consolidation of the funds and entities were prepared on the Consolidation Worksheet Template. The entity balances for consolidation were prepared on Entity Worksheet Templates. Both templates are available on the AMM PSAB web-site at <http://www.amm.mb.ca/PSAB.html>.

A flowchart describing the process of preparing consolidated financial statements for a Manitoba municipality is illustrated in Appendix 3.

EXHIBIT #1 – Trial Balance at December 31, 2009

General Operating Fund Dr (Cr)		Reserve Funds Dr (Cr)		Utility Operating Fund Dr (Cr)	
Cash on Hand	\$ 300	Gen Reserve:		Utility Bank Account	\$ 100,000
General Bank Account	750,000	Cash	\$25,000	AR-Customers	68,400
Total Cash	750,300	T-Bill – 90 Days	50,000	AR- Doubtful Amounts	(5,000)
Taxes on Roll	225,000	T-Bill – 60 Days	50,000	Total AR - Utilities	63,400
Taxes – Doubtful Amounts	(25,000)	GIC – 30 Days	100,000	Inventory - Chemicals	20,000
Grants Receivable - MB	100,000	Total Temp Investments	200,000	Due to Utility Reserve	(77,000)
Grant Receivable - Feds	100,000			Due to General Operating	(56,500)
Total Amounts Rec	400,000	Term Deposit – 1 yr.	15,000	Land	1,000
Inventory-Fuel	10,000	Term Deposit – 2 yrs.	10,000	Buildings	150,000
Prepaid Insurance	36,000	Total Port Investments	25,000	Buildings – Accm Amort	(18,750)
Loan Receivable - CDC	50,000	Accrued Interest Receivable	4,500	Mach & Equip	500,000
Real Estate for Sale	57,000	Fund Surplus	(146,500)	M&E – Accm Amort	(75,000)
Due from Utility Fund	56,500	Interest Income	(8,250)	Water & Sewer Lines	875,000
Land	15,000	Transfer from Op Fund	(100,000)	W&S Lines - Accm Amort	(800,000)
Buildings	525,000	Investment Charges	250	Assets Under Construction	67,100
Buildings – Accm Amort	(415,000)	Net Revenue	\$ (108,000)	Total TCA	699,350
Vehicles	115,000	Specific Reserve:		Bank – Line of Credit	(15,000)
Vehicles – Accm Amort	(45,000)	Cash	\$160,000	AP - Trade	(15,000)
Mach & Equip	623,500	T-Bill – 45 Days	50,000	Accrued Salaries	(2,500)
M&E – Accm Amort	(295,000)	Term Deposit –30 Days	15,000	Accrued Holidays	(5,500)
Streets	1,150,000	GIC – 30 Days	100,000	Accrued Interest Pay	(13,400)
Streets – Accm Amort	(975,000)	Total Temp Investments	165,000	General Accruals	(7,600)
Total TCA	698,500	Accrued Interest Receivable	3,000	Total Accruals	(29,000)
Trade Payables	(58,000)	Fund Surplus	(127,650)	Debenture #2	(400,000)
School Division Levy Pay	(350,000)	Interest Income	(7,100)	Debenture #3	(112,000)
CPP & EI payable	(8,000)	Transfer from Op Fund	(193,500)	Nominal Deficit	30,750
Income Tax Holdings Pay	(27,500)	Investment Charges	250	Water Sales	(332,000)
MEBP payable	(3,500)	Net Revenue	\$ (200,350)	Sewer Charges	(198,000)
GST payable	(350)	Utility Operating Reserve		Property taxes	(71,000)
Total Accounts Payable	(969,350)	Cash	\$ 45,000	Penalties	(6,700)
Accrued Salaries	(27,500)	Term Deposit – 30 days	75,000	Hydrant Rentals	(24,700)
Accrued Wages	(12,500)	MB Hydro Bond –20 yrs.	100,000	Installation Service	(2,500)
Accrued Holidays	(38,000)	MB Gov't Bond–10 yrs.	50,000	Collection Revenue	(600)
Accrued Severance	(45,000)	Total Port Inv.	150,000	Transfer From Reserve	(151,500)
Accrued Audit Fees	(10,000)	Accrued Interest Receivable	9,500	Total Revenue	(787,000)
Accrued Interest	(7,500)	Due From Utility Op Fund	77,000	Water Services	394,000
Total Accruals	(140,500)	Fund Surplus	(495,000)	Sewer Services	184,000
Prepaid taxes	(15,000)	Interest Income	(13,500)	Total Expenses	578,000
Landfill#1 – Closed	(24,500)	Trsf to Ut Op – Debt Paymt	76,500	Operating Surplus	\$ (209,000)
Landfill#2 - Open	(1,500)	Transfer to Ut Op – TCA	75,000		
Total Landfill Liabilities	(26,000)	Investment Charges	500		
Debenture #1	(75,000)	Total Expenses	152,000		
Term Bank Loan	(50,000)	Net Expenses	\$ 138,500		
Total Borrowings	(125,000)				
Nominal Surplus	(786,950)				
Property taxes	(543,000)				
User fees	(20,000)				
Government Transfers	(175,000)				
Grants in Lieu	(40,000)				
Other Income	(4,000)				
Total Revenue	(782,000)				
General Government	170,000				
Protective Services	20,000				
Trans Services	215,000				
Enviro Health Services	20,000				
Public Health	10,000				
Regional planning & dev	8,000				
Res cons & Industrial dev	10,000				
Recreation & Culture	40,000				
Fiscal Services:					
Transfer to Gen Reserve	100,000				
Transfer to Spec Res	193,500				
Total Expenses	786,500				
Operating Deficit	\$ 4,500				

EXHIBIT #2 – Consolidation of Funds

<i>All balances are taken from Exhibit #1 – Trial Balance at Dec 31/09</i>	General Op Fund Dr (Cr)	General Reserve Dr (Cr)	Specific Reserve Dr (Cr)	Utility Op Reserve Dr (Cr)	Utility Op Fund Dr (Cr)	Belle Plaine (unconsolidated) Dr (Cr)
Statement of Financial Position						
Cash & Temporary Investments	750,300	225,000	325,000	120,000	85,000	1,505,300
Amounts Receivable	400,000	4,500	3,000	9,500	63,400	480,400
Due From (to) Other Funds	56,500	-	-	77,000	(133,500)	-
Portfolio Investments	-	25,000	-	150,000	-	175,000
Loans and Advances	50,000	-	-	-	-	50,000
Real Estate Properties for Sale	57,000	-	-	-	-	57,000
Total Financial Assets	1,313,800	254,500	328,000	356,500	14,900	2,267,700
Accts Payable & Accr Liabilities	(1,109,850)	-	-	-	(44,000)	(1,153,850)
Deferred Revenue	(15,000)	-	-	-	-	(15,000)
Landfill Liabilities	(26,000)	-	-	-	-	(26,000)
Long Term Debt	(125,000)	-	-	-	(512,000)	(637,000)
Total Liabilities	(1,275,850)	-	-	-	(556,000)	(1,831,850)
Net Financial Assets (Debt)	37,950	254,500	328,000	356,500	(541,100)	435,850
Tangible Capital Assets	698,500	-	-	-	699,350	1,397,850
Inventories	10,000	-	-	-	20,000	30,000
Prepays	36,000	-	-	-	-	36,000
Total Non Financial Assets	744,500	-	-	-	719,350	1,463,850
Accumulated Surplus (Deficit)	782,450	254,500	328,000	356,500	178,250	1,899,700
Statement of Operations						
Taxation	(543,000)	-	-	-	(71,000)	(614,000)
Water and Sewer	-	-	-	-	(564,500)	(564,500)
User Fees	(20,000)	-	-	-	-	(20,000)
Government Transfers	(175,000)	-	-	-	-	(175,000)
Permits, licences and fines	-	-	-	-	-	-
Grants in Lieu of Taxation	(40,000)	-	-	-	-	(40,000)
Investment Income	-	(8,250)	(7,100)	(13,500)	-	(28,850)
Other Income	(4,000)	-	-	-	-	(4,000)
Total Revenue	(782,000)	(8,250)	(7,100)	(13,500)	(635,500)	(1,446,350)
General Government Services	170,000	250	250	500	-	171,000
Protective Services	20,000	-	-	-	-	20,000
Transportation Services	215,000	-	-	-	-	215,000
Water & Sewer Services	-	-	-	-	578,000	578,000
Environmental Health Services	20,000	-	-	-	-	20,000
Public Health & Welfare Services	10,000	-	-	-	-	10,000
Regional Planning & development	8,000	-	-	-	-	8,000
Resource cons & industrial development	10,000	-	-	-	-	10,000
Recreational & Cultural Services	40,000	-	-	-	-	40,000
Transfers	293,500	(100,000)	(193,500)	151,500	(151,500)	-
Total Expenses	786,500	(99,750)	(193,250)	152,000	426,500	1,072,000
Annual (Surplus) Deficit	4,500	(108,000)	(200,350)	138,500	(209,000)	(374,350)
Opening (Surplus) Deficit	(786,950)	(146,500)	(127,650)	(495,000)	30,750	(1,525,350)
Ending (Surplus) Deficit	(782,450)	(254,500)	(328,000)	(356,500)	(178,250)	(1,899,700)
Check for Balance	-	-	-	-	-	-

To Exhibit
#3-pg. 21

EXHIBIT #3 – Consolidation of Controlled Entities and Government Partnerships

<i>All Belle Plaine unconsolidated balances are from Exhibit #2 - Consolidation of Funds</i>	Belle Plaine (unconsolidated)	Dev Corp (100%)	Library (50%)	Planning Dis (50%)	Belle Plaine (consolidated)
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Statement of Financial Position					
Cash & Temporary Investments	1,505,300	95,000	86,000	16,000	1,702,300
Amounts Receivable	480,400	100	2,400	600	483,500
Due From (to) Other Funds	-	-	-	-	-
Portfolio Investments	175,000	-	-	-	175,000
Loans and Advances	50,000	(50,000)	-	-	-
Real Estate Properties for Sale	57,000	90,300	-	-	147,300
Total Financial Assets	2,267,700	135,400	88,400	16,600	2,508,100
Accts Payable & Accr Liabilities	(1,153,850)	(550)	(500)	(400)	(1,155,300)
Deferred Revenue	(15,000)	-	-	-	(15,000)
Landfill Liabilities	(26,000)	-	-	-	(26,000)
Long Term Debt	(637,000)	(27,500)	-	-	(664,500)
Total Liabilities	(1,831,850)	(28,050)	(500)	(400)	(1,860,800)
Net Financial Assets (Debt)	435,850	107,350	87,900	16,200	647,300
Tangible Capital Assets	1,397,850	-	31,000	13,000	1,441,850
Inventories	30,000	-	-	-	30,000
Prepays	36,000	-	1,200	-	37,200
	1,463,850	-	32,200	13,000	1,509,050
Accumulated Surplus (Deficit)	1,899,700	107,350	120,100	29,200	2,156,350
Statement of Operations					
Taxation	(614,000)	-	-	-	(614,000)
Water and Sewer	(564,500)	-	-	-	(564,500)
User Fees	(20,000)	-	(1,800)	(16,000)	(37,800)
Government Transfers	(175,000)	-	(66,700)	-	(241,700)
Permits, licences and fines	-	-	-	(17,700)	(17,700)
Grants in Lieu of Taxation	(40,000)	-	-	-	(40,000)
Investment Income	(28,850)	(4,800)	(1,300)	(350)	(35,300)
Other Income	(4,000)	-	(3,800)	(20)	(7,820)
Total Revenue	(1,446,350)	(4,800)	(73,600)	(34,070)	(1,558,820)
General Government Services	171,000	-	-	-	171,000
Protective Services	20,000	-	-	-	20,000
Transportation Services	215,000	-	-	-	215,000
Water & Sewer Services	578,000	-	-	-	578,000
Environmental Health Services	20,000	-	-	-	20,000
Public Health & Welfare Services	10,000	-	-	-	10,000
Regional planning & development	8,000	-	-	28,700	36,700
Res cons & industrial development	10,000	17,300	-	-	27,300
Recreational & Cultural Services	40,000	-	56,000	-	96,000
Transfers	-	-	-	-	-
Total Expenses	1,072,000	17,300	56,000	28,700	1,174,000
Annual (Surplus) Deficit	(374,350)	12,500	(17,600)	(5,370)	(384,820)
Opening (Surplus) Deficit	(1,525,350)	(119,850)	(102,500)	(23,830)	(1,771,530)
Ending (Surplus) Deficit	(1,899,700)	(107,350)	(120,100)	(29,200)	(2,156,350)
Check for Balance	-	-	-	-	-

To
Statement of
Financial
Position
- pg.22

To
Statement of
Operations
Pg. 29

EXHIBIT #4 – Consolidated Statement of Financial Position

TOWN OF BELLE PLAINE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2009

	2009	2008
FINANCIAL ASSETS		
Cash and temporary investments	\$ 1,702,300	\$ 1,547,100
Amounts receivable	483,500	529,000
Portfolio investments	175,000	165,000
Real estate properties held for sale	147,300	190,200
	<u>\$ 2,508,100</u>	<u>\$ 2,431,300</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,155,300	\$ 1,536,100
Deferred revenue	15,000	30,000
Landfill closure and post closure liabilities	26,000	20,650
Long-term debt	664,500	640,220
	<u>1,860,800</u>	<u>2,226,970</u>
NET FINANCIAL ASSETS	<u>\$ 647,300</u>	<u>\$ 204,330</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1-Exhibit #8, pg. 59)	\$ 1,441,850	\$ 1,516,000
Inventories	30,000	20,000
Prepaid expenses	37,200	31,200
	<u>1,509,050</u>	<u>1,567,200</u>
ACCUMULATED SURPLUS	<u>\$ 2,156,350</u>	<u>\$ 1,771,530</u>

Exhibit #3 - pg. 21

2.3 Statement of Operations

The statement of operations displays the cost of government services provided in the accounting period, the revenues recognized in the accounting period and the difference between them. The statement of operations should:

- (a) Report the revenues of the accounting period segregated by significant types of revenues from taxes, non tax sources and transfers from other governments;
- (b) Report the expenses of the period by function or major program;
- (c) Account for the difference between the revenues and expenses in the period, as the measure of the surplus or deficit for the period; and
- (d) Report the accumulated surplus/deficit at the beginning and end of the period, unless these figures are reconciled with the surplus/deficit for the period on a separate statement.

The statement of operations should disclose the gross amount of revenues and expenses.

Revenues including gains should be recognized in the period in which the transactions or events occurred that gave rise to the revenues. For example, user fees should be recognized in the period the goods or services are provided. Gains are generally recognized when realized.

Transfers between funds are neither revenues nor expenses. All transfers between funds should be eliminated.

All transactions between a municipality and its entities within the municipal reporting entity should be eliminated on consolidation. For example a municipality pays an annual grant to its planning district. The grant is not an expense for the municipality nor is it revenue for the planning district. Failure to eliminate the grant would result in an overstatement of the consolidated revenues and expenses.

2.3.1 Revenue

There have been no significant changes to the revenue classifications of the past. The following list of revenues is not a comprehensive list but includes accounts common to most municipalities.

Taxation:

- All municipal taxes and levies
- Includes property taxes (current and in arrears), business taxes and tax penalties and interest
- **Does not** include school division levies

Grants in Lieu of Taxation:

- Payments in lieu of property taxes by the Federal government, the Provincial government and their Crown corporations and agencies.
- Municipality is expected to provide services in return

User Fees:

- Payments for exchange of goods or direct access to services
- Parking meters
- Sales of service (general government, protection, transportation, etc.)
- Rentals
- Trailer park fees
- Development charges
- Cemetery fees
- Facility use fees (pools, arenas, libraries, camp grounds, etc.)

Grants:

- Transfers of money to the municipality for which the government making the transfer does not
 - (i) receive any goods or services directly in return as would in a purchase/sale transaction;
 - (ii) expect to be repaid in the future as in a loan; or
 - (iii) expect a financial return as in an investment.
- General assistance payments (formerly Provincial – Municipal Tax Sharing)
- General support grants
- VLT revenue
- Conditional grants
- Grants from other municipalities
- Gas Tax Revenue
- **Does not** include GST refunds

Permits, Licences and Fines:

- Fee by which a licensee obtains permission from the municipality to conduct specified activities
- Business licences
- Building permits
- Demolition permits
- Fire inspection fees
- Aggregate mining and transportation fees
- Parking fines

Investment Income:

- Dividends and interest revenue

Other Revenue:

- As a rule of thumb, other revenue should never exceed 10% of your total revenues. If it does then you need to disclose the balance in more detail.
- Miscellaneous revenue
- Gains on sale of vehicles and equipment
- Gain on sale of land and buildings

Water and Sewer:

- Includes all revenues from water and sewer operations
- Water consumer sales

- Sewer service charges
- Lagoon tipping fees
- Penalties
- Hydrant rentals
- Installation service
- Connection revenue
- Government transfer for water and sewer utilities

2.3.2 Expenses by Function (or Program)

There have been no significant changes to the functional expense classifications of the past. The following list of expenses by function is not a comprehensive list but includes activities common to most municipalities.

General Government:

- Expenses relating to the operation of council and the general administration of the municipality.
- Includes any expenses that cannot be attributed to a particular program.
- Includes allowance on tax assets (i.e. bad debt expense)

Protective Services:

- Expenses relating to the provision of police services, fire protection, emergency measures and general protective measures.

Transportation Services:

- Expenses relating to the maintenance of roads, streets, back lanes, sidewalks, and bridges.
- Includes the maintenance and operation of airports and transit (includes handi-transit) systems.

Environmental Health Services:

- Expenses relating to garbage and waste collection and disposal.
- Includes landfill and transfer station operations
- Includes landfill closure and post closure costs.

Public Health & Welfare Services:

- Expenses relating to the provision of health and medical services.
- Includes the municipal share of Provincial social assistance.

Regional Planning & Development:

(formerly Economic Planning & Community Development Services)

- Expenses relating to the provision of planning, zoning and urban renewal.
- Includes land beautification and rehabilitation including weed control in urban areas.

Resource Conservation & Industrial Development:

(formerly Economic Development Services)

- Expenses relating to the provision of conservation, water resource management, regional and industrial development and tourism.

Recreation & Cultural Services (or Community Services):

- Expenses relating to the maintenance and operation of recreational and cultural facilities.
- Includes community centres, golf courses, swimming pools, hockey arenas, curling rinks, libraries, museums, theatres and other cultural facilities.

Water & Sewer Services:

- Expenses relating to the provision of water and sewer services including the maintenance and operation of the underground networks, treatment plants, reservoirs, and lagoons.
- Includes water purchases.

Fiscal Services:

- Fiscal services will still be required for the financial plan (i.e. the formal budget).
- Fiscal services **should no longer be used** in GAAP financial statements.
- Relates to capital expenditures, debt payments, and transfers to reserves and other funds.
- Includes the allowance for tax assets. After the implementation of PSAB, the allowance for tax assets should be charged to general government.
- Other allowances for bad debts should be charged to the related program.
- If an allowance for bad debts cannot be charged to a particular program then it should be charged to general government.

2.3.3 Expenses by Object (or Type)

Financial statements should disclose the expenses of the accounting period by object (PS1200.83).

Expenses are reported by function or program on the statement of operations. Expenses by object are normally disclosed in a note or schedule to the financial statements. Disclosure of the expenses by object provides information that is useful in evaluating the major types of expenses incurred by a municipality in the period. The disclosure of the expenses by object offers a different perspective of the expenses in the period.

Personnel Services:

- Is made up of all costs related to salaries, wages and benefits.
 - a) Salaries and Wages:
 - Any salaries and wages that have to be included on a T4.
 - Includes indemnities for councilors
 - b) Benefits:
 - Holidays
 - Severance
 - Vested sick leave
 - Employer contributions to CPP and EI
 - Employer contributions to MEBP
 - Employer contribution to disability plan
 - Other employer contributions to health & dental plans, group life insurance, etc.

Contract Services:

- Expenses relating to the purchase of **services from the private sector or another government**
- Includes, but is not limited to:
 - Audit
 - Legal
 - Insurance
 - Assessment services
 - Road inspections
 - Consultants
 - Software support
 - Janitorial services
 - Police services (i.e. RCMP)
 - Fire protection services (i.e. from another municipality)
 - Exterminators
 - Tradesman
 - Private contractors
 - Auto repairs
 - Garbage collection and disposal (i.e. from a private company)
 - Recycling (i.e. from a private company)
 - Seminars & professional development courses (staff & elected officials)
 - Conventions (staff & elected officials)
- Includes travel costs (mileage, airfare, meals, hotels, etc.) for seminars, professional development courses and conferences.

Utilities:

- Expenses relating to the purchase of services from utilities.
- Includes but is not limited to:
 - Hydro (lighting & heating)
 - Natural gas (heat)
 - Water & sewer
 - Telephone
 - Cell phone service
 - Cable
 - Internet

Maintenance Materials & Supplies:

- Expenses relating to the purchase of materials and supplies
- Includes but is not limited to:
 - Cleaning supplies
 - Office supplies
 - Construction materials
 - Automotive & equipment parts
 - Chemicals
 - Herbicides
 - Pesticides
 - Fuel
 - Asphalt
 - Small tools
 - Gravel, dirt, sand & rocks
 - Includes freight cost

Grants & Contributions:

- Transfers of money to individuals or organizations for which the municipality does not
 - (i) receive any goods or services directly in return as would in a purchase/sale transaction;
 - (ii) expect to be repaid in the future as in a loan; or
 - (iii) expect a financial return as in an investment.

Amortization:

- Amortization expense relating to tangible capital assets.
- Disclosure is specifically required by PSAB.

Interest on Long Term Debt:

- Interest expense on loans and debentures.
- Interest expense on lines of credit that are in a credit balance for the entire fiscal year.
- Disclosure is specifically required by PSAB.

Bad Debt Expense:

- Expense relating to doubtful amounts receivable.
- If amounts are not significant bad debt expense can be included with “other operating expenses” for financial statement presentation purposes.
- Disclosure is specifically required by PSAB.

Other Operating Expenses:

- Expenses which cannot be classified to any other object.
- Could include bank service charges and interest on short term borrowing.
- As a rule of thumb, other operating expenses should never exceed 10% of your total expenses. If it does then you need to disclose the balance in more detail.

2.3.4 Town of Belle Plaine – Prepare the Statement of Operations

Linda Anderson, CAO for the Town of Belle Plaine, is ready to prepare her consolidated statement of operations the year ended December 31, 2008. Her trial balance at December 31, 2008 is displayed in **Exhibit 1**, page 19. The Town has an operating fund, reserves fund and a utility. It also has one controlled entity (i.e. CDC) and two government partnerships (i.e. regional library and planning district). Linda has already consolidated her funds (**Exhibit 2**, page 20) and controlled entities (**Exhibit 3**, page 21).

The consolidation of the funds and entities were prepared on the Consolidation Worksheet Template. The entity balances for consolidation were prepared on Entity Worksheet Templates. Both templates are available on the AMM PSAB web-site at <http://www.amm.mb.ca/PSAB.html>.

Prepare Linda’s consolidated statement of operations (**Exhibit 5**, page 29). The 2008 comparative balances are given and were previously prepared.

EXHIBIT #5 – CONSOLIDATED STATEMENT OF OPERATIONS

TOWN OF BELLE PLAINE CONSOLIDATED STATEMENT OF OPERATIONS Year Ended December 31, 2009

	2009 Budget	2009 Actual	2008 Actual
	<i>Exhibit #19 – Schedule 10-pg. 77</i>	<i>Exhibit #3 – pg. 21</i>	
REVENUE			
Taxation	\$ 616,000	\$ 614,000	595,000
Grants in lieu of taxation	40,000	40,000	39,500
User fees	40,000	37,800	34,400
Grants – Province of Manitoba	125,000	126,700	82,000
Grants - other	15,000	115,000	15,000
Permits, licences and fines	20,000	17,700	15,000
Investment income	32,000	35,300	36,000
Other income	5,000	7,820	8,100
Water and sewer	565,000	564,500	560,800
Total revenue	1,458,000	1,558,820	1,385,800
EXPENSES			
General government services	180,000	171,000	195,000
Protective services	20,000	20,000	19,000
Transportation services	240,000	215,000	232,500
Environmental health services	23,000	20,000	25,000
Public health and welfare services	12,000	10,000	12,000
Regional planning and development	35,000	36,700	38,300
Resource conservation and industrial development	33,000	27,300	32,700
Recreation and cultural services	95,000	96,000	129,800
Water and sewer services	570,000	578,000	572,000
Total expenses	1,208,000	1,174,000	1,256,300
ANNUAL SURPLUS	250,000	384,820	129,500
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,771,530	1,771,530	1,642,030
ACCUMULATED SURPLUS, END OF YEAR	\$ 2,021,530	\$ 2,156,350	\$ 1,771,530

2.4 Statement of Change in Net Debt (or Net Financial Assets)

Expenses represent the cost of goods and services consumed in the accounting period. On the other hand, expenditures represent the cost of goods and services acquired by the government in the period.

The statement of change in net debt provides information regarding the extent to which expenditures of the accounting period were met by revenues recognized in the accounting period. The statement of change in net debt should:

- (i) Report the extent to which the expenditures of the accounting period are met by the revenues recognized in the period.
- (ii) Report the acquisition of TCA in the accounting period as well as other significant items that explain the difference between the surplus or deficit for the period and the change in net debt for the period. Other significant items include:
 - Amortization of TCA
 - NBV of disposed TCA
 - Write downs of TCA
 - Capitalized interest
 - Consumption of non-financial assets like inventory and prepaids
 - Expenditures to acquire non-financial assets like inventory and prepaids
- (iii) Report net debt at both the beginning and end of the accounting period.

The statement of change in net debt is a derivative statement of the statement of financial position and statement of operations. **You should only prepare the statement of change in net debt after you have prepared the statements of financial position and operations.**

The reason being is that you require the:

- (i) Annual surplus/deficit for the year – Statement of Operations
- (ii) Changes in your non-financial assets – Statement of Financial Position

2.4.1 Town of Belle Plaine – Prepare the Statement of Change in Net Financial Assets

Linda Anderson, CAO for the Town of Belle Plaine, has completed her statements of financial position (**Exhibit 4**, page 22) and operations (**Exhibit 5**, page 29). She must now complete her consolidated statement of change in net financial assets (**Exhibit 6**, page 31). The changes in her TCA balances are as follows:

Opening TCA Balance, Jan 1/09	(Exhibit #8 – Schedule 1-pg. 59)	\$	1,516,000	To Statement of Change in Net Debt- Exhibit #6
Acquisition of TCA			109,950	
Amortization of TCA			(172,000)	
NBV of equipment written off	(NBV w/o or sold = \$12,100)		(10,500)	
NBV of vehicle sold for \$4,800 (i.e. gain of \$3,200)			(1,600)	
	(Schedule 1 - Total NBV w/o or sold = \$86,500 - \$74,400 = \$12,100)			
Ending TCA Balance, Dec 31/09		\$	1,441,850	

The 2008 comparative balances are given.

EXHIBIT #6 – CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

TOWN OF BELLE PLAINE

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

Year Ended December 31, 2009

	2009 Budget	2009 Actual	2008 Actual
	<i>(Consolidated Statement of Operations - Exhibit 5-pg. 29)</i>		
ANNUAL SURPLUS	\$ 250,000	\$ 384,820	\$ 129,500
Acquisition of tangible capital assets <i>(pg. 30)</i>	(112,000)	(109,950)	(79,000)
Amortization of tangible capital assets <i>(pg. 30)</i>	173,000	172,000	175,000
Write down of tangible capital assets <i>(pg. 30)</i>	-	10,500	-
Loss (Gain) on sale of tangible capital assets <i>(pg. 30)</i>	(2,000)	(3,200)	5,000
Proceeds on sale of tangible capital assets <i>(pg. 30)</i>	3,500	4,800	1,000
Decrease (Increase) in inventories <i>(\$20,000-\$30,000)</i>	(8,000)	(10,000)	1,430
Decrease (Increase) in prepaids <i>(\$31,200-\$37,200)</i>	(5,000)	(6,000)	(1,000)
	49,500	58,150	102,430
CHANGE IN NET FINANCIAL ASSETS	299,500	442,970	231,930
NET FINANCIAL ASSETS (NET DEBT), BEGINNING OF YEAR <i>(Statement of Financial Position)</i>	204,330	204,330	(27,600)
NET FINANCIAL ASSETS (NET DEBT), END OF YEAR <i>(Statement of Financial Position)</i>	\$ 503,830	\$ 647,300	\$ 204,330

2.5 Statement of Cash Flow

Information about the cash flows of a government enables users of its financial statements to assess:

- (i) the capacity of the government to generate cash, and
- (ii) the need of the government for cash resources.

The statement of cash flows should report:

- How a government generated and used cash in the period;
- The change in cash and cash equivalents in the period; and
- The cash and cash equivalents at both the beginning and end of the accounting period.

The statement of cash flow should report cash flows during the period classified by:

- (i) operating activities
- (ii) capital activities
- (iii) investing activities
- (iv) financing activities

A government may report cash flows using either the **direct method** or the **indirect method**. Both are acceptable under PSAB but the direct method is viewed as superior. However, very few governments use the direct method. The indirect method is far more popular because it is easier to prepare. In this manual and the future training sessions only the indirect method will be illustrated.

The statement of cash flow, similar to the statement of net debt, is a derivative statement of the statement of financial position and statement of operations. You should only prepare the statement of cash flow only after you have prepared the first two statements. The reason being is that you require the:

- (i) Annual surplus/deficit for the year – Statement of Operations
- (ii) Items not affecting cash – Statement of Operations
- (iii) Changes in your non cash financial assets, liabilities, and non-financial assets – Statement of Financial Position

To prepare the statement of cash flow the preparer must recognize which non cash items are **sources of cash** and which are **uses of cash**. Decreases in non-cash assets are sources of cash, while increases are uses of cash. A government has a loan receivable at the beginning of the year. During the year the creditor repays the loan. At the end of the year the government no longer has a receivable but your cash has increased. If a government issues a loan during the year, its non cash assets have increased but its cash has decreased.

Liabilities are completely the opposite. Increases in liabilities are sources of cash while decreases in liabilities are uses of cash. During the year a government borrows money. Its liabilities have increased and its cash has increased. During the year a government repays their loan. The government has reduced its liabilities but it has used cash to do so.

An operating surplus is a source of cash while an operating deficit is a use of cash. Some financial statement items like amortization, gains and losses, and accruals affect the operating

results but do not affect the cash position of the government. The government's cash from operations has to be adjusted for these items. The following table summarizes the sources and uses of cash:

	Source of Cash	Use of Cash
Operating Transactions:		
Annual surplus	β	
Annual deficit		β
Changes in non-cash items:		
Increase in amounts receivable		β
Decrease in amounts receivable	β	
Increase in inventories		β
Decrease in inventories	β	
Increase in prepaids		β
Decrease in prepaids	β	
Increase in AP & accrued liabilities	β	
Decrease in AP & Accrued liabilities		β
Loss on sale of TCA	β	
Gain on sale of TCA		β
Amortization	β	
Capital Transactions:		
Proceeds on sale of TCA	β	
Acquisition of TCA		β
Investing Transactions:		
Proceeds on sale of portfolio investments	β	
Proceeds on sale of real estate properties	β	
Loans and advances repaid	β	
Purchase of portfolio investments		β
Acquisition of real estate properties		β
Loans and advances issued		β
Financing Transactions:		
Proceeds of long term debt	β	
Obligation under capital lease	β	
Debt repayment		β
Repayment of obligation under capital lease		β

2.5.1 Town of Belle Plaine – Prepare the Statement of Cash Flows

Linda Anderson, CAO for the Town of Belle Plaine, must now complete her consolidated statement of cash flows (**Exhibit 7**, page 34). The changes in her TCA balances are again as follows:

Opening TCA Balance, Jan 1/09	(Exhibit #8 – Schedule 1-pg. 59)	\$	1,516,000	To Statement of Cash Flow - Exhibit #7
Acquisition of TCA			109,950	
Amortization of TCA			(172,000)	
NBV of equipment written off (NBV w/o or sold = \$12,100)			(10,500)	
NBV of vehicle sold for \$4,800 (i.e. gain of \$3,200)			(1,600)	
(Schedule 1 - Total NBV w/o or sold = \$86,500 - \$74,400 = \$12,100)				
Ending TCA Balance, Dec 31/09		\$	1,441,850	

The 2008 comparative balances are given.

EXHIBIT #7 – CONSOLIDATED STATEMENT OF CASH FLOWS

TOWN OF BELLE PLAINE CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended December 31, 2009

	2009	2008
OPERATING TRANSACTIONS		
Annual surplus <i>(Statement of Operations-Exhibit #5-pg. 29)</i>	\$ 384,820	129,500
Changes in non-cash items: <i>(Statement of Financial Position – Exhibit #4-pg. 22)</i>		
Amounts receivable <i>(\$529,000 - \$483,500)</i>	45,500	(4,000)
Accounts payable and accrued liabilities <i>(\$1,155,300 - \$1,536,100)</i>	(380,800)	235,000
Deferred revenue <i>(\$15,000 - \$30,000)</i>	(15,000)	10,000
Inventories <i>(\$20,000 - \$30,000)</i>	(10,000)	1,430
Prepays <i>(\$31,200 - \$37,200)</i>	(6,000)	(1,000)
Landfill closure and post liabilities <i>(\$26,000 - \$20,650)</i>	5,350	(1,500)
Write down of tangible capital asset <i>(pg. 33)</i>	10,500	-
Loss (Gain) on sale of tangible capital asset <i>(pg. 33)</i>	(3,200)	5,000
Amortization <i>(pg. 33)</i>	172,000	175,000
Cash provided by operating transactions	203,170	549,430
CAPITAL TRANSACTIONS		
Proceeds on sale of tangible capital assets <i>(pg. 33)</i>	4,800	1,000
Cash used to acquire tangible capital assets <i>(pg. 33)</i>	(109,950)	(79,000)
Cash applied to capital transactions	(105,150)	(78,000)
INVESTING TRANSACTIONS		
Portfolio investments <i>(\$165,000 - \$175,000)</i>	(10,000)	(12,000)
Real estate properties held for resale <i>(\$190,200 - \$147,300)</i>	42,900	50,000
Cash provided by investing transactions	32,900	38,000
FINANCING TRANSACTIONS		
Proceeds of long-term debt	118,000	-
Debt repayment	(93,720)	(79,700)
Cash provided (applied) to financing transactions <i>(\$664,500-\$640,220)</i>	24,280	(79,700)
INCREASE IN CASH AND TEMPORARY INVESTMENTS	155,200	429,730
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	1,547,100	1,117,370
CASH AND TEMPORARY INVESTMENTS, END OF YEAR <i>(pg. 22)</i>	\$ 1,702,300	\$ 1,547,100

Section 3 – Financial Statement Note Disclosures

Examples of the required note disclosures are provided in the manual for illustrative purposes. A financial statement template, with all the standard notes, will be available and can be downloaded from the AMM PSAB web-site at <http://www.amm.mb.ca/PSAB.html>. There are notes that are required every year. There are notes that are only required if they are applicable to the municipality. For example a municipality would only disclose a liability for landfill closure costs if they had an operating landfill.

- (1) – Indicates that the note is required every year
- (2) – Indicates that the note is required only if applicable.

3.1 Status of the Entity (1)

The notes should provide a short description of the government and the relevant legislation.

1. Status of the Town of Belle Plaine

The incorporated Town of Belle Plaine (the “Town”) is a municipal government that was incorporated in 1926 pursuant to the Manitoba Municipal Act. The Town provides or funds municipal services such as police, fire, public works, parks and recreation, tourism, and other general government operations. The Town owns one utility, has several designated special purpose reserves and provides funding support for other financial entities involved in economic development, urban planning and libraries.

3.2 Significant Accounting Policies (1)

Starting with the 2009 fiscal year, all municipalities in Manitoba should prepare their general purpose audited financial statements in accordance with GAAP.

A clear and concise description of all significant accounting policies of a reporting entity should be included as an integral part of its financial statements (PS2100.03).

As a minimum, disclosure of information on accounting policies should identify and describe (PS2100.09):

- a. the reporting entity and, where applicable, the method of consolidation;*
- b. the source of the basis of accounting used in the financial statements; and*
- c. the specific accounting policies selected and applied to significant assets, liabilities, revenues and expenses.*

All significant accounting policies of a reporting entity should be disclosed in one place (PS2100.11).

2. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

3.2.1 Reporting Entity (1)

You are required to describe the reporting entity and the accounting treatment used.

Government financial statements should disclose, in notes or schedules, a listing of the major organizations comprising the reporting entity (PS1300.39).

Trusts administered by a government or government organization should be excluded from the government reporting entity (PS1300.40).

2. a) Reporting Entity

The consolidated financial statements include the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all the funds, agencies, local boards, and committees of the Council which are controlled by the Town. Control is defined as the power to govern the financial and reporting policies of another organization with the expected benefits or risk of loss to the Town. The controlled organization is consolidated after adjusting their accounting policies to a basis consistent with the accounting policies of the municipality. Inter-fund and inter-company balances and transactions have been eliminated. The controlled organization includes:

Belle Plaine Community Development Corporation

The Municipality has two partnership agreements in place, and as such, consistent with generally accepted accounting practices are treated as government partnerships. The government partnerships are proportionately consolidated after adjusting their accounting policies to a basis consistent with the accounting policies of the Town. Inter-company balances and transactions have been eliminated. The government partnerships include:

Belle Plaine Regional Library (50%) (2008 – 50%)
Upper Red River Valley Planning District (50%) (2008 – 50%)

The taxation with respect to the operations of the school divisions are not reflected in the Town surplus of these financial statements.

Trust funds and their related operations administered by the Town are not consolidated in these financial statements.

3.2.2 Basis of Accounting (1)

The financial statements **must be** prepared using accrual accounting. Any other basis of accounting (cash, modified cash, modified accrual) is not acceptable.

2. b) Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

3.2.3 Assets & Liabilities (1)

You are required to disclose the significant accounting policies on your assets and liabilities in the notes unless that information is readily apparent on the statements. You only need to disclose the accounting policies on asset and liability balances that are on your Statement of Financial Position. For example, you don't need to disclose an accounting policy for landfill liabilities if you don't even have a landfill.

2. c) Cash and Temporary Investments

Cash and temporary investments include cash and short-term investments with maturities of three months or less from the date of acquisition.

d) Investments

Temporary investments are accounted for at the lower of cost and market.

Portfolio investments are accounted for at cost.

e) Real Estate Properties Held for Sale

Real estate properties held for sale are recorded at the lower of cost and net realizable value. Cost includes the amount of acquisition, legal fees, and improvements to prepare the properties for sale or servicing.

It is reasonably anticipated that real estate properties held for sale will be sold outside the reporting entity within one year of the balance sheet date.

f) Landfill closure and post closure liabilities

The estimated cost to close and maintain solid waste landfill sites are based on estimated future expenses, in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill capacity is used.

g) Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

h) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Donated assets are recorded at their estimated fair value upon acquisition. Certain tangible capital assets for which historical cost information is not available have been recorded at current fair market values discounted by a relevant inflation factor. Certain assets are disclosed at a nominal value as the determination of current fair market value was not available. The Town does not capitalize interest charges as part of the cost of its tangible capital assets.

The cost, less residual value, of the tangible capital asset is amortized on a straight line basis over its useful life. Assets under construction are not amortized until the asset is put into use.

The estimated useful lives are as follows:

General Tangible Assets

Land	Indefinite
Land Improvements	10 to 30 years
Buildings and leasehold Improvements	
Buildings	25 to 40 years
Leasehold improvements	Life of Lease
Vehicles and Equipment	
Vehicles	5 years
Machinery, equipment and furniture	10 years
Maintenance and road construction equipment	15 years
Computer Hardware and Software	4 years

Infrastructure Assets

Transportation	
Land	Indefinite
Road surface	20 to 30 years
Road grade	40 years
Bridges	25 to 50 years
Traffic lights and equipment	10 years
Water and Sewer	
Land	Indefinite
Land improvements	30 to 50 years
Buildings	25 to 40 years
Underground networks	40 to 60 years
Machinery and equipment	10 to 20 years
Dams and other surface water structures	40 to 60 years

Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artefacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles, Crown lands that have not been purchased by the municipality, forests, water, and other natural resources are not recognized as tangible capital assets.

i) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially the entire benefits and risks incidental to the ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

j) Inventories

Inventories held for sale are recorded at the lower of cost and net realizable value. Inventories held for consumption are recorded at the lower of cost and replacement value.

3.2.4 Revenue Recognition (1)

The accounting policies for the major revenue streams should be disclosed.

2. k) Revenue Recognition

Revenues are recognized as they are earned and measurable.

Government transfers are recognized in the financial statements in the period which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

Deferred revenue represents user charges and other fees which have been collected, for which the related services have yet to be provided. These amounts will be recognized as revenue in the fiscal year the services are provided.

3.2.5 Measurement Uncertainty or “Use of Estimates” (1)

The nature of measurement uncertainty that is material should be disclosed (PS2130.06).

The extent of measurement uncertainty that is material should be disclosed when it is reasonably possible that the amount could change by a material amount in the near term (PS2100.07).

2. l) Measurement Uncertainty

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonable possible amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exists in the accrual of the landfill closure and post closure liabilities. The accrual of the landfill liabilities is based on estimated future cash flows discounted to the financial statement date. The estimate of the future cash flows and the closure date of the landfill are based upon the best estimates by management. The actual future cash flows and closure date may differ significantly depending on the future level of recycling.

3.3 Cash and Temporary Investments (2)

The statement of financial position should report a government's temporary investments at the financial statement date. (PS3030.02)

Financial statements should disclose adequate information about the nature and terms of a government's temporary investments together with any valuation allowances. Such information would include the amounts outstanding and the method of valuation (PS3030.03).

Where there are holdings of marketable securities, their quoted market value as well as their carrying value should be disclosed (PS3030.04).

When the market value of temporary investments has declined below the carrying value, they should be carried at market value (PS3030.05).

When a government chooses to provide information about designated assets, it should do so in the notes, not on the statement of financial position. Such disclosure should include a description of the assets and their intended use (PS3100.30).

3. Cash and Temporary Investments

Cash and temporary investments are comprised of the following:

	<u>2009</u>	<u>2008</u>
Cash	\$ 1,262,300	\$ 1,147,100
Temporary investments	<u>440,000</u>	<u>400,000</u>
	\$ <u>1,702,300</u>	\$ <u>1,547,100</u>

Temporary investments are comprised mainly of guaranteed investment certificates and term deposits and have a market value approximating cost. The Municipality has designated \$670,000 (2008 \$500,000) to reserves for debt principal repayments and tangible capital asset acquisitions. See Schedule 6 – Schedule of Change in Reserve Fund Balances.

3.4 Amounts Receivable (2)

Financial statements should disclose adequate information about the nature and terms of a government's financial assets together with any valuation allowances (PS1200.47).

4. Amounts Receivable

Amounts receivable are valued at their net realizable value.

	<u>2009</u>	<u>2008</u>
Taxes on Roll (Schedule 11)	\$ 225,000	\$ 375,000
Government grants	200,000	65,000
Accrued interest - reserves	17,000	16,000
Utility customers	68,400	82,000
Organizations and individuals	<u>3,100</u>	<u>12,500</u>
	513,500	550,500
Less allowances for doubtful amounts	<u>(30,000)</u>	<u>(21,500)</u>
	\$ <u>483,500</u>	\$ <u>529,000</u>

Amounts receivable should be presented on the Statement of Financial Position at their net realizable value (NRV). **Allowances for doubtful amounts should be sufficient but not excessive.** Allowances for doubtful amounts should be reviewed at least once a year to ensure that amounts receivable are presented above their NRV. Changes in market conditions should be considered when reviewing the allowances on tax arrears. Municipalities will need to provide documentation and analysis to support the NRV of their amounts receivable to their auditors.

Tax Arrears, Tax Sales & Tax Titles:

Linda Anderson, the CAO for the RM of Assiniboia has three properties on the tax roll in arrears.

- Property #1 owes arrears of \$10,000. Linda knows that the property is highly desired and would conservatively net \$75,000 in a tax sale after legal and selling costs.
- Property #2 owes arrears of \$50,000. The owner has abandoned the property. Linda knows that the property is contaminated and will likely require remediation. Consequently, after legal and selling cost, the RM would most likely only net \$30,000 in a tax sale.
- Property #3 owes arrears of \$15,000. Given current market values the property would likely only net \$10,000 in a tax sale after legal and selling costs. The RM has an interest in purchasing the property because it would be suitable for a new park.

Linda needs to accrue an allowance for her tax assets at December 31, 2009. How much should she set up for each property?

Answer:

- Property #1 – No allowance is required. The NRV of \$75,000 exceeds the \$10,000 in arrears.
- Property #2 – An allowance of \$20,000 is required because the NRV is only \$30,000 (\$50,000 - \$30,000).
- Property #3 – An allowance of \$5,000 is required because the NRV is only \$10,000 (\$15,000 - \$10,000).

In 2010, the 3 properties are put up for auction. Property #1 sells for \$75,000. Nobody bids on Property #2 and the RM places a successful reserve bid on Property #3. What are the journal entries to record each sale?

Answer:**Property #1:**

Dr. Cash	\$75,000	
Cr. AR - Tax Arrears		\$10,000
Cr. AP – Surplus Proceeds		\$65,000

To record the tax sale and surplus proceeds

Property #2:

There is no tax sale to record but the arrears are on the books for a NRV of \$30,000 (arrears of \$50,000 with an allowance of \$20,000). Since it appears that the property is not marketable, consideration should be given to increasing the allowance on the arrears:

Dr. GG – Provision for Uncollectible Taxes Receivable	\$30,000	
Cr. AR – Allowance for Uncollectible Tax Arrears		\$30,000

To record the tax sale and surplus proceeds

Property #3:

Dr. AR – Allowance for Uncollectible Tax Arrears	\$5,000	
Dr. TCA – Land	\$10,000	
Cr. AR - Tax Arrears		\$15,000

To record acquisition of tax title property and reverse the allowance on arrears

3.5 Portfolio Investments (2)

5. Portfolio Investments			
		<u>2009</u>	<u>2008</u>
Marketable securities:			
Government of Canada	\$	-	\$ 75,000
Province of Manitoba		150,000	50,000
Municipal Debentures		-	30,000
		<u>150,000</u>	<u>155,000</u>
Other investments		<u>25,000</u>	<u>10,000</u>
	\$	<u>175,000</u>	<u>\$ 165,000</u>

The aggregate market value of the marketable securities at December 31, 2009 is \$179,000 (2008 - \$173,000). The Municipality has designated \$175,000 (2008 - \$165,000) to reserves for debt principal repayments and tangible capital asset acquisitions. See Schedule 6 – Schedule of Change in Reserve Fund Balances. Portfolio investments earned \$8,400 in investment income during the year (2008 - \$8,000).

3.6 Inventories (2)

6. Inventories			
Inventories for use:		<u>2009</u>	<u>2008</u>
Chemicals	\$	20,000	\$ 15,000
Culverts		8,000	5,000
Gravel		<u>2,000</u>	<u>-</u>
	\$	<u>30,000</u>	<u>\$ 20,000</u>

3.7 Accounts Payable and Accrued Liabilities (2)

Financial statements should disclose adequate information about the nature and terms of a government's liabilities (PS1200.42).

7. Accounts Payable and Accrued Liabilities			
		<u>2009</u>	<u>2008</u>
Accounts payable	\$	634,350	\$ 750,600
Accrued expenses		170,950	205,500
School levies (Schedule 13)		350,000	455,000
Other governments		-	125,000
	\$	<u>1,155,300</u>	<u>\$ 1,536,100</u>

3.8 Landfill Closure and Post Closure Liabilities (2)

The notes to the financial statements should disclose (PS3270.21):

- a) the nature and source of landfill closure and post-closure care requirements;
- b) the basis of recognition and measurement of the liability for closure and post-closure care;
- c) the reported liability for closure and post-closure care at the balance sheet date, the estimated total expenditures for closure and post-closure care, and the amount remaining to be recognized;
- d) the remaining capacity of the site and the estimated remaining landfill life in years;
- e) how any requirements for closure and post-closure care financial assurance are being met, e.g., performance bonds;
- f) the amount of any assets designated for settling closure and post-closure care liabilities; and
- g) the estimated length of time needed for post-closure care.

8. Landfill Closure and Post Closure Liabilities

a) Operating Landfill

The Town is currently operating a Class 1 landfill site. Legislation requires closure and post-closure care of solid waste landfill sites. Closure costs include final covering and landscaping of the landfill and implementation of drainage and gas management plans. Post closure care requirements include cap maintenance, groundwater monitoring, gas management system operations, inspections and annual reports.

	<u>2009</u>	<u>2008</u>
Estimated closure and post closure costs over the next 50 years	\$ <u>600,000</u>	\$ 600,000
Discount rate	<u>5.25%</u>	5.25%
Discounted costs	<u>151,300</u>	143,750
Expected year capacity will be reached	2034	2034
Capacity (tonnes)		
Used to date	1,665,600	1,243,825
Remaining	10,334,400	10,756,175
Total	12,000,000	12,000,000
Percent utilized	<u>13.88%</u>	10.36%
Liability Based on Percentage	\$ <u>21,000</u>	\$ 14,900

Legislation requires the Town to monitor its closed landfill site. Post closure care requirements include cap maintenance, groundwater monitoring, gas management system operations, inspections and annual reports. Post closure care for the closed landfill site is estimated to be required until 2015. Estimated post closure costs over the next 6 years is estimated to be \$6,000 (2008 - \$7,000). The Municipality uses a discount rate of 5.25% (2008 – 5.25%) to arrive at its post closure liability of \$5,000 (2008 - \$5,750).

3.9 Long Term Debt (2)

Financial statements should disclose information to highlight the composition of a government's long-term debt as follows (PS3230.15):

- a) the gross amount outstanding;*
- b) the amounts issued specifically on behalf of government business enterprises;*
- c) the net amount reported on the consolidated statement of financial position;*
- d) the gross interest paid or payable for the period relating to the debt described in (a);*
- e) the interest revenue for the period received or receivable from government business enterprises on debt issued specifically by the government on behalf of government business enterprises and reported in accordance with paragraph [PS 3230.10](#); and*
- f) the net amount of interest expense reported on the consolidated statement of operations.*

Financial statements should disclose adequate information about the nature and terms of a government's long-term debt, as described in paragraph [PS 3230.15\(a\)](#), including (PS3230.17):

- a) interest rates;*
- b) the existence of sinking fund and redemption provisions;*
- c) an appropriate description of repayment dates and amounts and the nature of the repayment; and*
- d) any amounts payable on demand.*

Financial statements should disclose the aggregate amount of payments estimated to be required in each of the next five years and thereafter to meet sinking fund or retirement provisions for the debt disclosed in accordance with paragraph [PS 3230.15](#).

9. Long Term Debt		
	<u>2009</u>	<u>2008</u>
General Authority:		
Debenture, interest at 5.25%, payable at \$27,670 annually including interest, maturing December, 2012	\$ 75,000	\$ 100,000
Bank term loan, interest at 6.0%, payable at \$846 monthly including interest, maturing November 2014.	50,000	60,000
Province of Manitoba Community Works Loan Program, non-interest bearing, with no set terms of repayment, and is due in 2010. This amount may be forgiven at a future date by the lender.	27,500	30,220
	152,500	190,220
Utility Fund:		
Debenture, interest at 5.0%, payable at \$61,890 annually including interest, maturing December, 2017	400,000	450,000
Debenture, interest at 5.25%, payable at \$9,110 annually including interest, maturing December, 2029	112,000	-
	512,000	450,000
	\$ 664,500	\$ 640,220
Principal payments required in each of the next five years are as follows:		
2010	\$ 90,600	
2011	\$ 90,600	
2012	\$ 90,600	
2013	\$ 65,600	
2014	\$ 65,600	

3.10 Obligations Under Capital Leases (2)

The following information should be disclosed with respect to a government's leased tangible capital assets (PSG-2, s. 24):

- The gross amount of leased tangible capital assets and related accumulated amortization should be disclosed. Disclosure of leased tangible capital assets and accumulated amortization by major category (for example, land, buildings, machinery) may be desirable.
- Liabilities related to leased tangible capital assets should be shown separately from other liabilities. Particulars of liabilities related to leased tangible capital assets, including interest rates and expiry dates, should be shown separately from other long-term liabilities. Significant conditions of the lease agreement should be disclosed, including future contractual obligations, purchase options, terms of renewal and

contingencies, and circumstances that require or result in the government's continuing involvement in the contractual arrangement.

- c) The amount of amortization of leased tangible capital assets included in the determination of operating results should be disclosed separately or as part of amortization expense for tangible capital assets. Disclosure should also be made of methods and rates of amortization.
- d) Interest expense related to lease liabilities should be disclosed separately, or as part of interest on long-term debt.

N.B. Note that the Town of Belle Plaine has no obligations under capital lease therefore the following example is unrelated to their financial statements.

10. Obligation Under Capital Lease

Equipment under capital lease, interest at 7%, minimum lease payments at \$370 monthly including interest. Future minimum lease payments under the capital lease are as follows:

2010	\$	4,440
2011		4,440
2012		4,440
2013		4,440
2014		4,440
After 2014		<u>4,440</u>
Total minimum lease payments		26,640
Lease amount representing future interest		<u>(4,810)</u>
Balance of obligation	\$	<u>21,830</u>

The cost of the equipment under capital lease is \$23,000 (2008 – nil). Accumulated amortization is \$600 (2008 – nil).

3.11 Contractual Obligations or Commitments (2)

Information about a government's contractual obligations that are significant in relation to the current financial position or future operations should be disclosed in notes or schedules to the financial statements and should include descriptions of their nature and extent and the timing of the related expenditures (PS3390.08).

11. Commitments

The Town of has outstanding contractual obligations of approximately \$65,000 at December 31, 2009 (2008 - \$72,000) for capital works.

In addition, the Municipality is leasing office space at \$1,071 per month, expiring 2012. The minimum lease payments to expiration are \$31,059.

The minimum lease payments in the next three years are as follows:

2010	\$12,852
2011	\$12,852
2012	\$ 5,355

3.12 Contingencies (2)

A contingent liability should be recognized in the financial statements when (PS3300.15):

- a) it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and*
- b) the amount can be reasonably estimated.*

The existence of a contingent liability at the date of the financial statements should be disclosed in notes to the financial statements when (PS3300.27):

- a) the occurrence of the confirming future event is likely but the amount of the liability cannot be reasonably estimated;*
- b) the occurrence of the confirming future event is likely and an accrual has been made, but there exists an exposure to liability in excess of the amount accrued; or*
- c) the occurrence of the confirming future event is not determinable.*

12. Contingencies

The Town owns properties that may contain environmental contamination and require site reclamation. The amount of any such obligation has not been determined.

The Town has not recognized a liability for certain legal obligations, primarily special handling for the removal and disposal of encapsulated asbestos from facilities and equipment. The fair value of the liability could not be reasonably estimated at the financial statement date.

The Town has unconditionally guaranteed the payment of principal and interest on capital improvement loans for several non-profit organizations. The outstanding balance on these loans as at December 31, 2009 is \$63,000 (2008 - \$73,000).

3.13 Retirement Benefits (1)

The Manitoba Employees Benefit Plan (MEBP) is a defined benefit pension plan. The disclosure requirements for defined benefit pension plans are extensive. However because MEBP is a multi-employer defined benefit pension plan the disclosure requirements for defined contribution plans are used.

For defined contribution plans, financial statements should disclose (3250.100):

- a) a general description of benefit plans, contribution formulae and funding policy;*
- b) the expense recognized for the period; and*
- c) a description of significant changes to benefit plans during the period.*

When benefits are provided to employees through a multiemployer retirement benefit plan, each entity participating in the plan, other than the sponsoring government, should follow the standards for defined contribution plans (3250.110).

The government should disclose any available information about any surplus or deficit in a multiemployer plan, the basis used to determine the surplus or deficit and the implications, if any, for the government.

13. Retirement Benefits

The majority of the employees of the Town are members of the Municipal Employees Benefit Program (MEBP), which is a multi-employer defined benefit pension plan. MEBP members will receive benefits based on 1.5% of their final average yearly Canada Pension Plan (CPP) earnings times years of service, plus 2% of their final average yearly non-CPP earnings times years of service. The cost of the retirement plan is not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants Handbook section PS3250.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by MEBP by placing plan assets in trust and through MEBP investment policy. Pension expense is based on MEBP management's best estimates. In consultation with its actuaries, the MEBP requires that employees contribute 5.3% of basic annual earnings up to the CPP ceiling plus 6.5% of basic annual earnings in excess of the CPP ceiling. The employers are required to match the employee contributions to the MEBP. The required contributions provide a high level of assurance that benefits, as provided by MEBP, will be fully represented by fund assets at retirement.

Variance between actuarial funding estimates and actual expenditures may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation as of December 31, 2008 indicates the plan is fully funded. Actual contributions to MEBP made during the year by the Town on behalf of its employees amounted to \$12,139 (2008 - \$11,209) and are included in the statement of operations.

3.14 Financial Instruments (1)

A **financial instrument** is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. An example would be an amount receivable/account payable. Another would be a loan. The lender would have a loan receivable while the borrower would have a loan payable. Inventory is not a financial instrument.

The financial instruments of most municipalities in Manitoba would likely have very little exposure to:

- Interest and foreign currency risk
- Credit risk
- Fair value risk

The following generic note disclosure would likely be adequate in most situations.

14. Financial Instruments

The Town as part of its operations carries a number of financial instruments. It is management's opinion the Town is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

3.15 Subsequent Events (2)

PSAB has standards on how to account for and disclose events occurring between the financial statement date and the date of their completion. In general there are two types of subsequent events:

- (i) Those that provide evidence of a condition that existed at the financial statement date; and
- (ii) Those that indicate conditions that arose after the year end.

Financial statements reflect the municipality's financial position and changes in financial position at a particular date. However events occurring after the year end may indicate a need to either:

- (i) Adjust the financial statements; or
- (ii) Make specific disclosures in the financial statements.

Financial statements should be adjusted when events occurring between the date of the financial statements and the date of their completion provide sufficient, additional evidence relating to conditions that existed at the date of the financial statements (2400.09).

Financial statements should not be adjusted for, but disclosure should be made of, those events occurring between the date of the financial statements and the date of their completion that do not relate to conditions that existed at the date of the financial statements but (2400.13):

- (a) cause significant changes to assets or liabilities in the subsequent period; or*
- (b) will, or may, have a significant effect on the future operations of the government.*

15. Subsequent Events

(This is an example of the first type of subsequent event. Since it has already been accrued in the financial statements it would be unnecessary to disclose the subsequent event in the notes.)

Subsequent to the year end a major local business in the Town filed for bankruptcy. At the financial statement date the business owed \$10,000 in taxes and \$5,000 for water and sewer to the Town. Council believes that the collection of these amounts is doubtful and has therefore included these balances in the allowance for doubtful accounts at December 31, 2008.

(These are examples of the second type of subsequent event. These types of subsequent events should be disclosed in the notes to the financial statements)

Subsequent to the year end council has approved and entered into an agreement to purchase a new fire truck in the amount of \$75,000. The purchase of the fire truck is to be financed through the general reserve.

Subsequent to the year end a water pipe in the Town's administration centre burst causing considerable damage to the building. Repairs to the building are expected to cost \$125,000 and are covered by insurance.

3.16 Budget Figures (1 – until PSAB budgeting is adopted)

For 2009 and beyond the financial plan or budget will continue to be prepared on a non-consolidated revenue and expenditure basis. For financial reporting purposes, municipalities will have to “PSAB” their budgets. Municipalities will have to disclose the reconciliation between the two budgets in the notes to the financial statements.

The statement of operations should present a comparison of the results for the accounting period with those originally planned. Planned results should be presented for the same scope of activities and on a basis consistent with that used for actual results (PS1200.122).

In accordance with the Municipal Act, the 2009 financial plans have to be sent to the Department by May 15, 2009. After council approves the financial plan it is recommended that the CAO present the PSAB budget to council. Otherwise council may not see the PSAB budget till June 30, 2010 when the 2009 financial statements are completed.

16. Budget

The financial plan is prepared on a revenue and expenditure basis. For comparative purposes, the Town has modified its financial plan to prepare a budget that is consistent with the scope and accounting principles used to report the actual results. The budget figures used in these financial statements have been approved by council.

The reconciliation between the financial plan and the budget figures used in these statements is disclosed in Schedule 10 – Reconciliation of the Financial Plan to the Budget.

3.17 Accounting changes (2)

GAAP financial statements are generally assumed to be prepared on a basis consistent with the prior year. There are four types of changes. The type of change determines the treatment. The four types are:

1. Change in presentation
2. Change in accounting policy
3. Change in accounting estimate
4. Correction of an error from prior periods

The changes can be accounted for and presented in three different ways:

Prospectively - The accounting policy is only applied to transactions which occur after the date of change.

Retroactively without restatement – The accounting policy is applied to all transactions which have occurred but only the current year numbers are adjusted. No adjustment is made to the comparatives.

Retroactively with restatement – The accounting policy is applied to all transactions which have occurred and the comparatives are also restated to reflect the new policy.

1) Change in presentation:

These changes result when there has been a change in how accounts have been grouped for financial statement purposes. These changes impair comparability between years if both years presented are not changed. The comparative year should be changed for a change in presentation.

Example:

In the financial statements before 2009, the allowance for tax assets was included in fiscal services. In 2009, the allowance for tax assets should be included in general government services. The 2008 allowance in tax assets should also be reclassified to general government services for this change in presentation.

2) Change in accounting policy:

A change in accounting policy can occur for two reasons.

- Conform to a new PSAB recommendation or adopt PSAB for the first time (as is the case with municipalities in Manitoba).
- Change from an appropriate accounting policy to another.

(i) Conform to a new PSAB recommendation (or adopt PSAB):

As new PSAB standards are issued, municipalities will have to adopt the standards. Often the new standards themselves dictate whether the changes should be applied retroactively or prospectively. If the new standard does not specify PS2120.13 indicates that the adoption of the new standard can be applied retroactively or prospectively.

One of the most significant new standards which come into effect on January 1, 2009 is PS3150 or TCA. Under the section of "Transitional Provisions for Local Governments", PS3150.44 states that PS3150 "applies to all TCA". This means that the change has to be applied retroactively. Further, municipalities in Manitoba will restate their prior periods (i.e. the 2008 comparatives) for the change in accounting policy. If the 2008 comparatives were not restated they would not be very useful because there would not include TCA balances and amortization expense, while the 2009 numbers would include such balances.

(ii) Change from one appropriate accounting policy to another:

When a government changes from one appropriate accounting policy to another, the change **must be** applied retroactively with the restatement of prior periods.

3) Change in accounting estimate:

Estimates require judgment and often have to be updated for new information. It would not be appropriate to apply the change to prior periods. Therefore changes in accounting estimates should be accounted for in the period of the change.

4) Correction of an error in prior periods:

An unintentional error in the financial statements can result from a miscalculation, misunderstanding or oversight of information. This is not a change in accounting estimate which are made because of new information or developments. An error may be so material that the prior period financial statements are no longer fairly presented. Corrections of an error should be treated retroactively with restatement.

Change in Accounting Policies at January 1, 2009:

On January 1, 2009, in order to be in compliance with PSAB standards, municipalities in Manitoba will be implementing four significant changes in accounting policy:

1. Capitalization & amortization of TCA (all municipalities)
2. Municipal Reporting Entity (all municipalities will likely have to consolidate at least one entity)
3. Accruing landfill closure and post closure liabilities (all municipalities that operate a landfill)
4. Accruing environmental liabilities (likely limited to a few municipalities)

These changes in accounting policies will all have to be applied retroactively with a restatement of the fiscal 2008 financial statements. The financial statements will not need to be restated for the recording of "routine" accruals (i.e. holidays payable, vested sick leave, severance payable, inventories, prepaids, etc.). These routine accruals should have been already recorded as of December 31, 2007 or January 1, 2008.

17. Changes in Accounting Policies

The Town has restated its financial statements to comply with the adoption of generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB).

Section PS3150 requires governments to record and amortize their tangible capital assets on their financial statements.

Section PS3270 requires governments to accrue their landfill closure and post closure costs as the landfill is used.

Finally, PSAB also requires that the government reporting entity include all the organizations controlled by the government. PSAB also requires governments to account for government partnerships on a proportional consolidation basis whereby the government consolidates their pro-rata share of the partnership's assets, liabilities, revenues and expenses

	2009	2008
Opening fund balances:		
Nominal Surplus – General Operating Fund	\$ 213,450	\$ 165,300
General Reserve Funds	274,150	212,640
Surplus – General Capital Fund	398,200	308,870
Deficit – Utility Operating Fund	(167,200)	(129,455)
Utility Reserve Funds	495,000	384,000
Surplus – Utility Capital Fund	137,350	106,320
Opening accumulated surplus, all funds, as previously reported	1,350,950	1,047,675
Adjustments:		
Tangible capital assets	1,516,000	1,612,000
Fixed assets in the capital funds	(1,084,510)	(1,005,510)
Landfill closure and post closure liabilities	(20,650)	(22,150)
Opening non-consolidated accumulated surplus, restated	1,761,790	1,632,015
Consolidation of controlled entities and government partnerships	9,740	10,015
Opening consolidated accumulated surplus, as restated	1,771,530	1,642,030
Consolidated annual surplus	384,820	129,500
Consolidated accumulated surplus, end of year	\$ 2,156,350	\$ 1,771,530

The above is simply an example of the presentation that will be required in the 2009 financial statements. There is a detailed case on preparing this presentation in Appendix 1 of this manual.

3.18 Public Sector Compensation Disclosure

Under the *Public Sector Compensation Disclosure Act* all municipalities in Manitoba are required to disclose the name of employees and elected officials who have received more than \$50,000 in compensation during the year.

It is also in the interest of municipalities to disclose the compensation and expenses paid to each elected official even if the amounts are under \$50,000. Further, the Manitoba Department of Intergovernmental Affairs requires this information.

Some municipalities receive a separate audit opinion on their public sector compensation disclosure. If a municipality issues a separate public sector compensation disclosure statement they do not need to disclose in the notes the employees who have received more than \$50,000 in compensation. Municipalities are still **required** to disclose the amount of the compensation and expenses paid to **elected officials** during the year.

18. Public Sector Compensation Disclosure

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of aggregate compensation paid to members of council, and of individual compensation in an amount exceeding \$50,000 annually to any member of council, officer or employee of the Town. For the year ended December 31, 2009:

a) Compensation paid to members of council amounted to \$46,250 in aggregate

b) There were no members of council receiving compensation in excess of \$50,000 individually.

	<u>Compensation</u>	<u>Expenses</u>	<u>Total</u>
Turk Broda	\$ 11,250	\$ 6,317	\$ 17,567
Chase Utley	8,750	3,292	12,042
Mike Schmidt	8,750	3,219	11,969
Gump Worsley	8,750	3,276	12,026
Cassie Campbell	8,750	2,047	10,797
	<u>\$ 46,250</u>	<u>\$ 18,151</u>	<u>\$ 64,401</u>

c) The following officers received compensation in excess of \$50,000:

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Linda Anderson	Chief Administrative Officer	\$ 76,250
Haley Wickenheiser	Chief Financial Officer	61,500
Johnny Bower	Works and Operations Manager	65,000
Dave Schultz	Chief of Police	62,500

3.19 Public Utilities Board

The Public Utilities Board (PUB) regulates the rates charged by all water and sewer utilities except the City of Winnipeg and those utilities operated by the Manitoba Water Services Board. Under its *Public Utilities Board Act*, PUB has the authority to prescribe the accounting policies used by the utilities that are subject to its *Act*.

PUB has specific accounting policies on tangible capital assets and government transfers which are not in compliance with PSAB. PUB requires utilities to:

1. Defer capital grants; and
2. Amortize capital grants to revenue at the same rate as the related tangible capital asset.

PUB's accounting policies would have the effect of allocating the grant revenue over the life of the capital asset and thereby "smoothing" the bottom line of the utility. This treatment would have the same effect as netting the capital grant against the cost of the TCA and reducing the amortization expense.

PSAB requires that grants should be taken into revenue in the period that the events giving rise to the transfer occurred, as long as (PS3410.07):

1. The grant has been authorized by the transferring government;
2. The recipient government is eligible to receive the grant; and
3. The amount of the grant can be reasonably estimated.

PSAB also requires that TCA be valued at the gross cost and not at the net cost to the government (PS3150.05).

Example:

In January 2009, the Town of Richmond received a capital grant of \$120,000 from the Province for its new sewage treatment plant. Construction of the sewage treatment plant was completed and put into use on January 1, 2009. Total construction cost was \$300,000. The expected useful life of the plant is 30 years. The CAO Linda Anderson has to account for the transactions in accordance with PSAB, but she must also report to PUB using their prescribed accounting policies on capital grants.

What are the accounting entries for the capital grant, construction of the plant and the amortization expense under PSAB and PUB's accounting policies? What is the net effect on the annual surplus for 2009? 2010? and beyond?

PSAB:

Dr. Cash	\$120,000	
Cr. Grant Revenue – Utility Fund		\$120,000

To record the capital grant received from the Province

Dr. TCA – Sewage Treatment Plant	\$300,000	
Cr. TCA – Assets Under Construction		\$300,000

To record the construction of the water treatment plant

Dr. Water & Sewer – Amortization Expense	\$10,000	
Cr. Accumulated Amortization		\$10,000

To record the amortization expense on the sewage treatment plant for the year ended Dec 31, 2009 (\$300,000/30 yrs).

The net effect would be an annual surplus of \$110,000 (\$120,000 - \$10,000) in 2009. In 2010, and for

the next 28 years, the net effect would be a deficit of \$10,000 because of the amortization.

PUB:

Dr. Cash	\$120,000	
Cr. Deferred Contribution		\$120,000

To record and defer the capital grant received from the Province

Dr. TCA – Sewage Treatment Plant	\$300,000	
Cr. Cash/Accounts Payable		\$300,000

To record the construction of the water treatment plant

Dr. Water & Sewer – Amortization Expense	\$10,000	
Cr. Accumulated Amortization		\$10,000

To record the amortization expense on the sewage treatment plant for the year ended Dec 31, 2009 (\$300,000/30 yrs).

Dr. Deferred Contribution	\$4,000	
Cr. Amortization Revenue		\$4,000

To record the amortization revenue on the deferred capital grant for the year ended Dec 31, 2009 (\$120,000/30 yrs).

The net effect would be a deficit of \$6,000 (\$10,000 - \$4,000) in 2009. In 2010, and for the next 28 years, the net effect would again be a deficit of \$6,000.

Under either method, the total deficit for the 30 years would be \$180,000. Only the timing of the losses is different between the two methods.

In the above example, the CAO would have to prepare two different sets of financial statements for their utility. The statement for the municipality would have to be prepared in accordance with GAAP, while a second statement would have to be prepared for the utility under PUB's prescribed accounting policies. To prevent this situation a compromise was reached between PUB and the Department of Intergovernmental Affairs.

In order to provide PUB with the information it requires to set rates, municipalities will be required to disclose in the notes to the financial statements the amount of:

1. Deferred contributions at the beginning of the year;
2. New capital grants deferred during the year;
3. The amount amortized to revenue during the year; and
4. The unamortized balance at the end of the year.

However, municipalities **are not to use PUB's accounting** policies in the statements, schedules or for any other note disclosure. There should be no deferral and amortization of capital grants in the financial statements unless PSAB changes its recommendations on the treatment of capital grants.

19. Public Utilities Board

(disclosure relates to the Town of Richmond example and not the Town of Belle Plaine)

The Public Utilities Board (PUB) regulates the rates charged by all water and sewer utilities, except the City of Winnipeg utility and those utilities operated by the Manitoba Water Services Board. PUB has the authority to order any owner of a utility to adopt uniform and prescribed accounting policies. PUB's prescribed accounting policies on tangible capital assets and government transfers do not meet the recommendations of PSAB.

For information purposes, the Town has deferred the capital grants it has received in the past for its utilities and amortized them over the useful life of the related tangible capital asset.

No capital grants have been deferred and amortized in these financial statements.

Description of Utility	Unamortized Opening Balance	Additions During Year	Amortization During Year	Unamortized Ending Balance
Water	\$ -	\$ 120,000	\$ 10,000	\$ 110,000
Sewer	\$ 160,000	\$ -	\$ 20,000	\$ 140,000

Section 4 – Schedules to the Consolidated Financial Statements

For some disclosure requirements the information can be more clearly presented in a schedule as opposed to a note. All schedules should be properly identified and the presentation should be clear and understandable.

The schedules are part of the financial statements and should be audited with the statements and the notes.

*The auditor's standard report should cover all financial statements required for fair presentation of financial position, results of operations, and cash flows in accordance with generally accepted accounting principles. Such statements will normally include the balance sheet and the statement of income, retained earnings and cash flows together with the accompanying notes, and **supporting schedules** to which the financial statements are cross-referenced (HB5400.04).*

*Notes to the financial statements, and **supporting schedules** and other information to which the financial statements are cross-referenced, are an integral part of such statements and, accordingly, **need not be specifically referred to in the auditor's report**. It is important that unaudited information which could be construed to be part of the audited financial statements be clearly differentiated (HB5400.11).*

4.1 Schedule 1 – Consolidated Schedule of Tangible Capital Assets

Tangible capital assets should be presented by major categories of assets. Typical major categories of TCA for municipalities would include land, land improvements, buildings, machinery and equipment, roads, streets and bridges, and water and sewer systems.

The financial statements should disclose, for each major category of tangible capital assets and in total (PS3150.40):

- a) cost at the beginning and end of the period;*
- b) additions in the period;*
- c) disposals in the period;*
- d) the amount of any write-downs in the period;*
- e) the amount of amortization of the costs of tangible capital assets for the period;*
- f) accumulated amortization at the beginning and end of the period; and*
- g) net carrying amount at the beginning and end of the period.*

The disclosure requirements of PS3150.40 are quite detailed. It is therefore easier to present the required disclosure in a schedule format. See Exhibit 8 on page 59.

EXHIBIT #8 – CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

TOWN OF BELLE PLAINE
CONSOLIDATE SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2009

SCHEDULE 1

	General Capital Assets					Infrastructure			Total	
	Land and land Improvements	Buildings and Leasehold Improvements	Vehicles And Equipment	Computer Hardware and Software	Assets Under Construction	Roads, Streets and Bridges	Water and Sewer	Assets Under Construction	2009	2008
Cost										
Opening costs	10,050	525,000	860,000	11,100	-	1,150,000	1,506,000	-	4,062,150	3,993,150
Additions during year	4,950	-	15,000	2,900	-	-	20,000	67,100	109,950	79,000
Disposals and write downs	-	-	(86,500)	-	-	-	-	-	(86,500)	(10,000)
Closing costs	15,000	525,000	788,500	14,000	-	1,150,000	1,526,000	67,100	4,085,600	4,062,150
Accumulated Amortization										
Opening accm amortization	-	400,000	405,200	5,000	-	917,500	818,450	-	2,546,150	2,375,150
Amortization	-	15,000	22,200	2,000	-	57,500	75,300	-	172,000	175,000
Disposals and write downs	-	-	(74,400)	-	-	-	-	-	(74,400)	(4,000)
Closing accm amortization	-	415,000	353,000	7,000	-	975,000	893,750	-	2,643,750	2,546,150
Net Book Value	15,000	110,000	435,500	7,000	-	175,000	632,250	67,100	1,441,850	1,516,000

Water and sewer underground networks contributed to the Town total \$360,000 and were capitalized at their fair value at the time of their receipt.

The Town has 18 km of streets and back lanes that are capitalized at a nominal value of \$324,000.

Financial statements should also disclose the following information about tangible capital assets (PS3150.42):

- a) the amortization method used, including the amortization period or rate for each major category of tangible capital asset;*
- b) the net book value of tangible capital assets not being amortized because they are under construction or development or have been removed from service;*
- c) the nature and amount of contributed tangible capital assets received in the period and recognized in the financial statements;*
- d) the nature and use of tangible capital assets recognized at nominal value;*
- e) the nature of the works of art and historical treasures held by the government; and*
- f) the amount of interest capitalized in the period.*

The disclosure requirements of PS3150.42 are normally presented as part of the significant accounting policies note on tangible capital assets. See note “2.h) Tangible Capital Assets” on page 37.

4.2 Schedule 2 – Consolidated Schedule of Revenues

The purpose of this schedule is simply to provide more detail on the revenues without cluttering the statement of operations. The information is useful to the Department and may be of interest to the general public. The total revenue should of course agree to the total revenue as per the Consolidated Statement of Operations.

Schedule 2 was prepared for the Town of Belle Plaine and provided as an example. See Exhibit 9 on page 61.

4.3 Schedule 3 – Consolidated Schedule of Expenses

The purpose of this schedule is simply to provide more detail on the expenses without cluttering the statement of operations. The information is useful to the Department and may be of interest to the general public. The total expenses should of course agree to the total expenses as per the Consolidated Statement of Operations.

Schedule 3 was prepared for the Town of Belle Plaine and provided as an example. See Exhibit 10 on page 62.

Exhibit #9 – Consolidated Schedule of Revenues

TOWN OF BELLE PLAINE
CONSOLIDATED SCHEDULE OF REVENUES
Year Ended December 31, 2009

SCHEDULE 2

- Agrees to the Statement of Operations – pg. 29

	2009 Actual	2008 Actual
Taxation:		
Municipal taxes levied	\$ 613,000	\$ 590,000
Penalties and interest	1,000	5,000
#	614,000	595,000
Grants in lieu of taxation:		
Federal government	15,000	14,500
Provincial government enterprises	15,000	15,000
Other local governments	5,000	5,000
Non-government organizations	5,000	5,000
#	40,000	39,500
User fees		
Parking meters	7,000	6,000
Sales of service	20,000	15,000
Rentals	10,800	13,400
#	37,800	34,400
Grants - Province of Manitoba		
General assistance	30,000	20,000
Municipal support grants	15,000	12,000
VLT revenues	15,000	10,000
Conditional grants	66,700	40,000
#	126,700	82,000
Grants - other		
Federal government - gas tax funding	15,000	13,000
Federal government - other	100,000	2,000
#	115,000	15,000
Permits, licences and fines		
Permits	17,700	15,000
#	17,700	15,000
Investment income:		
Cash and temporary investments	26,900	24,000
Marketable securities	7,400	7,000
Municipal debentures	-	3,000
Other (specify):	1,000	2,000
#	35,300	36,000
Other revenue:		
Gain on sale of tangible capital assets	3,200	-
Miscellaneous (donations):	4,620	8,100
#	7,820	8,100
Water and sewer	564,500	560,800
Total revenue	1,558,820	1,385,800

Exhibit #10 – Consolidated Schedule of Expenses

TOWN OF BELLE PLAINE
CONSOLIDATED SCHEDULE OF EXPENSES
Year Ended December 31, 2009

SCHEDULE 3

- Agrees to the Statement of Operations – pg. 29

	2009 Actual	2008 Actual
General government services:		
Legislative	\$ 75,000	\$ 74,000
General administrative	96,000	121,000
#	171,000	195,000
Protective services:		
Fire	15,000	14,000
Emergency measures	5,000	5,000
#	20,000	19,000
Transportation services:		
Road and street maintenance	160,000	175,000
Sidewalk and boulevard maintenance	30,000	28,500
Street lighting	25,000	29,000
#	215,000	232,500
Environmental health services:		
Waste collection and disposal	10,000	15,000
Recycling	10,000	10,000
#	20,000	25,000
Public health and welfare services:		
Public health	8,000	9,000
Social assistance	2,000	3,000
#	10,000	12,000
Regional planning and development:		
Planning and zoning	28,700	27,000
Urban renewal	8,000	11,300
#	36,700	38,300
Resource conservation and industrial development:		
Water resources and conservation	7,000	8,500
Industrial development	17,300	20,000
Tourism	3,000	4,200
#	27,300	32,700
Recreation and cultural services:		
Community centers and halls	2,000	3,500
Skating and curling rinks	30,000	55,300
Parks and playgrounds	5,000	6,000
Museums	3,000	5,000
Libraries	56,000	60,000
#	96,000	129,800
Water and sewer services (Schedule 9)	# 578,000	572,000
Total expenses	# 1,174,000	1,256,300

4.4 Schedule 4 – Consolidated Statement of Operations by Program

There are two purposes to Schedule 4, both of which are GAAP requirements:

1. Disclosing the expenses by object or type; and

Financial statements should disclose the expenses of the accounting period by object (PS1200.83).

2. Reporting on segments.

Government financial statements should separately disclose the following information, in notes or schedules, about each of a government's segments identified in accordance with paragraph PS 2700.07 (PS2700.26):

- (a) the basis for identifying segments, the nature of the segments and the activities they encompass, and the method of significant allocations to segments;*
- (b) segment expense by major object or category;*
- (c) segment revenue by source and type;*

A segment is a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information. On Schedule 4 the distinguishable activities are the program areas or expenses by function.

Revenues and expenses that cannot be attributed to a particular sector should be included in general government. **This would include taxation and unconditional grants.**

Exhibit 11 on page 64 has a completed Schedule 4 for the Town of Belle Plaine.

4.5 Schedule 5 - Consolidated Details and Reconciliation to Core Government Results

Also like Schedule 4, the purpose of Schedule 5 is to:

1. Disclosing the expenses by object or type; and
2. Reporting on segments.

However in this case the segments are the core government and the consolidated entities. The core government is the departments, funds and local urban districts or the equivalent of what was reported in the old financial statements. Reporting on the core government results is in essence the unconsolidated results of the municipality.

The consolidated entities are the controlled entities which the municipality controls and the government partnerships which the municipality has shared control.

The easiest way to prepare Schedule 5 is to use the consolidation worksheets and entity worksheets. These sheets can be downloaded from the AMM PSAB web-site at <http://www.amm.mb.ca/PSAB.html>. The consolidation worksheet has a tab which can be used to prepare the consolidation of the expenses by object.

Exhibit 12 on page 66 has a completed Schedule 5 for the Town of Belle Plaine. Exhibit 13 on page 67 has a completed worksheet for the consolidation of expenses by object.

Exhibit #11 – Consolidated Statement of Operations by Program

TOWN OF BELLE PLAINE

SCHEDULE 4

CONSOLIDATED STATEMENT OF OPERATIONS BY PROGRAM

Year Ended December 31, 2009

	General Government*		Protective Services		Transportation Services		Environmental Health Services		Public Health and Welfare Services	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
REVENUE										
Taxation	\$ 543,000	\$ 533,110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants in lieu of taxation	40,000	39,500	-	-	-	-	-	-	-	-
User fees	-	-	-	-	7,000	6,000	-	-	-	-
Prov of MB – Unconditional Grants	60,000	42,000	-	-	-	-	-	-	-	-
Prov of MB – Conditional Grants	-	-	-	-	-	-	-	-	-	-
Grants - other	-	-	-	-	115,000	15,000	-	-	-	-
Permits, licences and fines	-	-	-	-	-	-	-	-	-	-
Investment income	28,850	31,000	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	3,200	-	-	-	-	-
Water and sewer	-	-	-	-	-	-	-	-	-	-
Total revenue	\$ 671,850	\$ 645,610	\$ -	\$ -	\$ 125,200	\$ 21,000	\$ -	\$ -	\$ -	\$ -
EXPENSES										
Personnel services	\$ 123,150	\$ 136,000	\$ 10,000	\$ 9,000	\$ 59,750	\$ 63,000	\$ -	\$ -	\$ -	\$ -
Contract services	19,800	27,500	3,500	3,250	31,500	37,000	20,000	25,000	2,000	3,500
Utilities	8,550	9,500	1,000	950	-	-	-	-	-	-
Maintenance materials and supplies	3,450	4,500	1,500	1,150	38,000	42,500	-	-	-	-
Grants and contributions	-	-	-	-	-	-	-	-	8,000	8,500
Amortization	7,500	8,000	4,000	4,650	75,700	78,500	-	-	-	-
Interest on long term debt	6,840	7,100	-	-	10,050	11,500	-	-	-	-
Other	1,710	2,400	-	-	-	-	-	-	-	-
Total expenses	\$ 171,000	\$ 195,000	\$ 20,000	\$ 19,000	\$ 215,000	\$ 232,500	\$ 20,000	\$ 25,000	\$ 10,000	\$ 12,000
Surplus (Deficit)	\$ 500,850	\$ 450,610	\$ (20,000)	\$ (19,000)	\$ (89,800)	\$ (211,500)	\$ (20,000)	\$ (25,000)	\$ (10,000)	\$ (12,000)

* The general government category includes revenues and expenses that cannot be attributed to a particular sector.

Exhibit #11 – Consolidated Statement of Operations by Program

TOWN OF BELLE PLAINE

SCHEDULE 4

CONSOLIDATED STATEMENT OF OPERATIONS BY PROGRAM

Year Ended December 31, 2009

# - Agrees to Statement of Operations – Exhibit #5 - pg. 29	Regional Planning & Development Services		Resource Conservation & Industrial Development		Recreation and Cultural Services		Water and Sewer Services		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
REVENUE									#	#
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,000	\$ 61,890	\$ 614,000	\$ 595,000
Grants in lieu of taxation	-	-	-	-	-	-	-	-	40,000	39,500
User fees	16,000	15,400	-	-	14,800	13,000	-	-	37,800	34,400
Prov of MB – Unconditional Grants	-	-	-	-	-	-	-	-	60,000	42,000
Prov of MB – Conditional Grants	-	-	-	-	66,700	40,000	-	-	66,700	40,000
Grants - other	-	-	-	-	-	-	-	-	115,000	15,000
Permits, licences and fines	17,700	15,000	-	-	-	-	-	-	17,700	15,000
Investment income	350	-	4,800	5,000	1,300	-	-	-	35,300	36,000
Other revenue	-	-	-	-	4,620	8,100	-	-	7,820	8,100
Water and sewer	-	-	-	-	-	-	564,500	560,800	564,500	560,800
Total revenue	\$ 34,050	\$ 30,400	\$ 4,800	\$ 5,000	\$ 87,420	\$ 61,100	\$ 635,500	\$ 622,690	\$ 1,558,820	\$ 1,385,800
EXPENSES									Pg. 67	
Personnel services	\$ 20,000	\$ 21,000	\$ 10,550	\$ 12,000	\$ 49,750	\$ 60,000	\$ 185,720	\$ 182,000	\$ 458,920	\$ 483,000
Contract services	5,000	5,200	6,000	8,000	6,250	15,000	79,350	83,300	173,400	207,750
Utilities	1,000	950	750	800	11,500	12,000	2,500	2,350	25,300	26,550
Maintenance materials and supplies	1,700	1,600	-	-	12,500	17,200	149,680	152,000	206,830	218,950
Grants and contributions	8,000	8,300	10,000	11,000	7,500	15,000	-	-	33,500	42,800
Amortization	1,000	1,250	-	-	8,500	10,600	75,300	72,000	172,000	175,000
Interest on long term debt	-	-	-	-	-	-	85,450	80,350	102,340	98,950
Other	-	-	-	900	-	-	-	-	1,710	3,300
Total expenses	# \$ 36,700	\$ 38,300	\$ 27,300	\$ 32,700	\$ 96,000	\$ 129,800	\$ 578,000	\$ 572,000	\$ 1,174,000	\$ 1,256,300
Surplus (Deficit)	\$ (2,650)	\$ (7,900)	\$ (22,500)	\$ (27,700)	\$ (8,580)	\$ (68,700)	\$ 57,500	\$ 50,690	\$ 384,820	\$ 129,500

Exhibit #12 – Consolidated Details and Reconciliation to Core Government Results

TOWN OF BELLE PLAINE

SCHEDULE 5

CONSOLIDATED DETAILS AND RECONCILIATION TO CORE GOVERNMENT RESULTS

Year Ended December 31, 2009

- Agrees to the Statement of Operations –Exhibit #5-pg. 29

* - Agrees to Schedule 4 –Exhibit #11

	Core Government		Controlled Entities		Government Partnerships		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
REVENUE							#	#
Taxation	\$ 614,000	\$ 595,000	\$ -	\$ -	\$ -	\$ -	\$ 614,000	\$ 595,000
Grants in lieu of taxation	40,000	39,500	-	-	-	-	40,000	39,500
User fees	20,000	18,000	-	-	17,800	16,400	37,800	34,400
Province of MB – Unconditional Grants	60,000	42,000	-	-	-	-	60,000	42,000
Province of MB – Conditional Grants	-	-	-	-	66,700	40,000	66,700	40,000
Grants - other	115,000	15,000	-	-	-	-	115,000	15,000
Permits, licences and fines	-	-	-	-	17,700	15,000	17,700	15,000
Investment income	28,850	31,000	4,800	5,000	1,650	-	35,300	36,000
Other revenue	4,000	3,200	-	-	3,820	4,900	7,820	8,100
Water and sewer	564,500	560,800	-	-	-	-	564,500	560,800
Total revenue	\$ 1,446,350	\$ 1,304,500	\$ 4,800	\$ 5,000	\$ 107,670	\$ 76,300	\$ 1,558,820	\$ 1,385,800
EXPENSES							*	*
Personnel services	\$ 361,920	\$ 390,000	\$ 37,000	\$ 35,000	\$ 60,000	\$ 58,000	\$ 458,920	\$ 483,000
Contract services	155,200	190,250	8,200	8,000	10,000	9,500	173,400	207,750
Utilities	20,450	22,000	600	550	4,250	4,000	25,300	26,550
Maintenance materials and supplies	182,980	193,500	400	450	23,450	25,000	206,830	218,950
Grants and contributions	83,500	99,800	(30,000)	(30,000)	(20,000)	(27,000)	33,500	42,800
Amortization	165,000	168,500	-	-	7,000	6,500	172,000	175,000
Interest on long term debt	102,340	98,950	-	-	-	-	102,340	98,950
Other	610	2,400	1,100	900	-	-	1,710	3,300
Total expenses	\$ 1,072,000	\$ 1,165,400	\$ 17,300	\$ 14,900	\$ 84,700	\$ 76,000	\$ 1,174,000	\$ 1,256,300
Surplus (Deficit)	\$ 374,350	\$ 139,100	\$ (12,500)	\$ (9,900)	\$ 22,970	\$ 300	\$ 384,820	\$ 129,500

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Exhibit #13 – Consolidation of Expenses by Object

Town of Belle Plaine
Consolidation Worksheet - Expenses By Object
December 31, 2008

	Town of BP (uncons) Dr (Cr)	Controlled Entities (100%)		Government Partnerships				Controlled Entities Total Dr (Cr)	Government Partnerships Total Dr (Cr)	Town of BP (cons) Dr (Cr)
		CDC Dr (Cr)	Entity #2 Dr (Cr)	100% Plan Dis Dr (Cr)	50.00% Plan Dis Dr (Cr)	100% Library Dr (Cr)	50.00% Library Dr (Cr)			
Personnel Services	361,920	37,000	-	40,000	20,000	80,000	40,000	37,000	60,000	458,920
Contract Services	155,200	8,200	-	10,000	5,000	10,000	5,000	8,200	10,000	173,400
Utilities	20,450	600	-	2,000	1,000	6,500	3,250	600	4,250	25,300
Maintenance Materials & Supplies	182,980	400	-	3,400	1,700	43,500	21,750	400	23,450	206,830
Grants and Contributions	83,500	(30,000)	-	-	-	(40,000)	(20,000)	(30,000)	(20,000)	33,500
Amortization	165,000	-	-	2,000	1,000	12,000	6,000	-	7,000	172,000
Interest on Long Term Debt	102,340	-	-	-	-	-	-	-	-	102,340
Bad Debts	-	-	-	-	-	-	-	-	-	-
Other	610	1,100	-	-	-	-	-	1,100	-	1,710
	1,072,000	17,300	-	57,400	28,700	112,000	56,000	17,300	84,700	1,174,000

Pg. 65 & 66

4.6 Schedule 6 – Schedule of Change in Reserve Fund Balances

Reserve fund balances are merely financial assets that have been put aside, the use of which can be restricted for any general or specific purpose. Reserve funds are established through a by-law of council. However council can reverse its by-law and remove the restrictions on the reserve funds. PSAB calls these types of funds or entities as internally restricted as opposed to externally restricted.

Internally restricted funds or reserves are not available to finance the operations of the municipality unless approved by council. Users of the financial statements need to understand the extent of internally restricted funds because they limit the municipality's financial flexibility.

An example would be a reserve fund for the closure costs of a class 1 landfill. The funds will be needed in the future to finance the expenditures that will occur when the landfill is closed. It would not be financially prudent for a council to use these funds for other purposes. Unless it is disclosed, users of the financial statements will not know that some of the financial assets have been restricted for this use and are not available for other uses.

(PS3100.24) Government financial statements should disclose, in notes or schedules, condensed supplementary financial information relative to internally restricted entities. The financial information should be provided for internally restricted entities or groups of similar entities and for all internally restricted entities as a whole. The information provided should report the financial position and results of operations, including:

- (a) total assets and liabilities segregated by main classification;*
- (b) net assets or liabilities;*
- (c) total revenues and expenses; and*
- (d) net operating results for the period.*

In addition, a general description of the nature of the internal restriction should be provided.

For most municipalities the assets that are internally restricted to reserves can be simply disclosed in the "Cash and Temporary Investments" notes. If a municipality has portfolio investments or loans receivable that are restricted to reserves than this should also be disclosed. The total net assets, total revenues and expenses, and the net operating results will be disclosed on Schedule 6.

An example of Schedule 6 has been completed for the Town of Belle Plaine. See Exhibit 14 on page 69.

Exhibit #14 – Schedule of Change in Reserve Fund Balances

TOWN OF BELLE PLAINE

SCHEDULE 6

SCHEDULE OF CHANGE IN RESERVE FUND BALANCES

Year Ended December 31, 2009

	2009				2008
	General Reserve	Specific Reserve	Utility Op Reserve	Total	Total
<i>Consolidation of Funds – Exhibit #2 – pg. 20</i>					
REVENUE					
Investment income	\$ 8,250	\$ 7,100	\$ 13,500	\$ 28,850	\$ 31,000
Other income	-	-	-	-	-
Total revenue	8,250	7,100	13,500	28,850	31,000
EXPENSES					
Investment charges	250	250	500	1,000	1,150
Other expenses	-	-	-	-	-
Total expenses	250	250	500	1,000	1,150
NET REVENUES	8,000	6,850	13,000	27,850	29,850
TRANSFERS					
Debt repayments	-	-	(76,500)	(76,500)	(56,000)
Transfers from (to) operating fund	100,000	193,500	-	293,500	150,000
Transfers from (to) utility fund	-	-	-	-	29,000
Acquisition of tangible capital assets	-	-	(75,000)	(75,000)	(45,000)
CHANGE IN RESERVE FUND BALANCES	108,000	200,350	(138,500)	169,850	107,850
FUND SURPLUS, BEGINNING OF YEAR	146,500	127,650	495,000	769,150	661,300
FUND SURPLUS, END OF YEAR	\$ 254,500	\$ 328,000	\$ 356,500	\$ 939,000	\$ 769,150

4.7 Schedule 7 - Schedule of Trust Funds

Trusts are assets that have been assigned to the municipality acting as a trustee. As trustee the municipality administers the assets in accordance with the terms and conditions of a trust agreement for the benefit of a beneficiary. As trustee the municipality has no authority to change the terms and conditions of the trust agreement.

(PS1300.40) Trusts administered by a government or government organization should be excluded from the government reporting entity.

(PS1300.44) Government financial statements should disclose, in a note or schedule, a description of trusts under administration by a government or government organization, and a summary of trust balances.

Trusts should be disclosed on Schedule 7 – Schedule of Trusts Funds. If a trust fund administered by a municipality is audited separately under its own audit opinion, then the disclosure need only refer to availability of audited financial statements.

Exhibit 15 on page 71 provides an example of a completed Schedule 7 for the Town of Belle Plaine.

4.8 Schedule 8 – Schedule of Financial Position For Utilities

Schedule 8 provides summary information on the financial position (i.e. balance sheet) of a municipality's utilities. Schedule 8 simply replaces Statement 4 (utility operating fund balance sheet) and Statement 6 (utility capital fund balance sheet) in the pre-2009 financial statements.

Schedule 8 is different in two ways:

1. Utility operating and capital funds should be presented together in the one statement; and
2. The presentation of the statement is in accordance with PSAB GAAP (i.e. TCA, comparatives).

All assets and liabilities related to the utilities should be disclosed on Schedule 8. This includes all the tangible capital assets related to the utility as well as the debt. Utility reserve funds are already disclosed on Schedule 6 – Schedule of Changes in Reserve Fund Balances.

To simplify the accounting municipalities may want to clear any remaining balances in the utility capital fund and transfer them to the utility operating fund. In this manner you account for each separate utility as one fund similar to the manner that the Town of Belle Plaine accounts for its utility. See the trial balance for the Town of Belle Plaine utility fund on page 18.

Each utility must be separately presented. If a municipality has more than one utility, each utility must be presented separately on Schedule 8. Schedule 8 in the financial statement template is designed so a municipality can present all its utilities separately on one schedule.

A completed Schedule 8 for the Town of Belle Plaine is presented as Exhibit 16 on page 72. Since Belle Plaine only has one utility there is only one 2009 actual column with a column for the 2008 comparatives.

Exhibit #15 – Schedule of Trust Funds

TOWN OF BELLE PLAINE SCHEDULE OF TRUST FUNDS Year Ended December 31, 2009

SCHEDULE 7

	John Smith Memorial Trust Fund	Fire Fighters Families Trust Fund	Humane Society Trust Fund	Total 2009	2008
ASSETS					
Cash and temporary investments	\$ 50,000	\$ 20,000	\$ 12,000	\$ 82,000	\$ 75,000
Portfolio investments	-	100,000	-	100,000	100,000
Due from the Municipality	-	15,000	-	15,000	12,000
	<u>\$ 50,000</u>	<u>\$ 135,000</u>	<u>\$ 12,000</u>	<u>\$ 197,000</u>	<u>\$ 187,000</u>
LIABILITIES AND FUND BALANCES					
Due to Municipality	\$ -	\$ -	\$ 500	\$ 500	\$ 500
Fund balance	50,000	135,000	11,500	196,500	186,500
	<u>\$ 50,000</u>	<u>\$ 135,000</u>	<u>\$ 12,000</u>	<u>\$ 197,000</u>	<u>\$ 187,000</u>
REVENUES					
Contributions and donations	\$ 15,000	\$ 25,000	\$ 6,000	\$ 46,000	\$ 42,000
Investment income	5,000	8,500	1,000	14,500	12,000
	<u>20,000</u>	<u>33,500</u>	<u>7,000</u>	<u>60,500</u>	<u>54,000</u>
EXPENDITURES					
Cemetery maintenance	-	-	-	-	-
Distribution to beneficiaries	-	30,000	5,000	35,000	32,000
Other	10,000	-	-	10,000	8,500
	<u>10,000</u>	<u>30,000</u>	<u>5,000</u>	<u>45,000</u>	<u>40,500</u>
EXCESS OF REVENUES OVER EXPENDITURES	10,000	3,500	2,000	15,500	13,500
FUND BALANCE, BEGINNING OF YEAR	40,000	131,500	10,000	181,500	168,000
FUND BALANCE, END OF YEAR	<u>\$ 50,000</u>	<u>\$ 135,000</u>	<u>\$ 12,000</u>	<u>\$ 197,000</u>	<u>\$ 181,500</u>

Exhibit #16 – Schedule of Financial Position for Utilities

TOWN OF BELLE PLAINE

SCHEDULE 8

SCHEDULE OF FINANCIAL POSITION FOR UTILITY

Year Ended December 31, 2009

	2009	2008
<i>Consolidation of Funds-Exhibit #2-pg. 20</i>		
FINANCIAL ASSETS		
Cash and temporary investments	\$ 85,000	\$ -
Amounts receivable	63,400	36,600
	<u>\$ 148,400</u>	<u>\$ 36,600</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 44,000	\$ 111,400
Long-term debt (Note 9)	512,000	450,000
Due to other funds	<u>133,500</u>	<u>142,610</u>
	<u>689,500</u>	<u>704,010</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>\$ (541,100)</u>	<u>\$ (667,410)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	\$ 699,350	\$ 687,550
Inventories	20,000	11,000
	<u>719,350</u>	<u>698,550</u>
FUND SURPLUS (DEFICIT)	<u>\$ 178,250</u>	<u>\$ 31,140</u>

COMMITMENTS AND CONTINGENCIES (Notes 11 and 12)

4.9 Schedule 9 – Schedule of Utility Operations

Role of the PUB

The Public Utilities Board (PUB) regulates the rates charged by all water and sewer utilities, except the City of Winnipeg utility and those utilities operated by the Manitoba Water Services Board. Municipalities are required to prepare separate financial plans for their utilities and are required to obtain approval from the PUB for budgeted deficits. Municipalities are also required to advise the PUB in writing of any anticipated deficits and may incur a deficit with the Board's written approval, which may include any condition the Board considers necessary or advisable.

Subsidization of Utilities by General Municipal Operations

Most utilities in Manitoba are very small and do not have dedicated administrative and operating staff. Many of the duties required to operate a utility are being performed by municipal staff. This includes administrative staff such as the CAO and public works staff who also have responsibility for transportation services.

The PUB is aware that the efficient delivery of these water and sewer services requires sharing between the general operations of the municipality and the utility. If the rates charged for water and sewer are to properly reflect the cost of providing the service, then all costs related to the utility operations should be reflected on the statement of utility operations. This includes:

1. Amortization charges on the tangible capital assets of the utility operations;
2. Interest expense on debt related to the utility operations;
3. A proper and reasonable allocation between the municipality and utilities of:
 - (i) Shared overhead costs;
 - (ii) Shared direct operating costs; and
 - (iii) Shared capital costs.

PUB has strong evidence that not all shared costs are being allocated to the utility and are simply being absorbed by the general municipal operations. The end result is a cross-subsidization of the utilities by the general municipal operations. The cross-subsidization of the utility operations has no effect on the overall financial position and operations of the municipality as a whole, but the cost of providing water and sewer services would be understated.

Allocation Plan for Shared Costs

The PUB has developed a shared cost allocation matrix as a framework for municipalities to develop a cost allocation methodology. While extensive, it is not intended to be fully prescriptive, as circumstances in different municipalities may give rise to acceptable alternatives.

Once a municipality has developed a cost allocation methodology it must submit the plan to the PUB for approval. After the PUB approval the municipality must then apply the allocations to the utility in accordance with the plan. After the completion of every audit the CAO will be required to sign and forward a representation letter to the PUB, and their auditor, stating that the utility allocations have been applied in accordance with the approved methodology. The template for the cost allocation matrix is presented as Exhibit 17 on page 74.

Exhibit #17 – PUB Cost Allocation Matrix

Allocation Plan for Shared Costs					
Shared Overhead: Includes all direct and indirect costs related to the administration of the utility.			Activity Based	Tracked Increments	Flat Rate
Sub-Category	Activity	Expenses (object)			
Direct Overhead Costs	Meter reading Billing Receipting and collection	<ul style="list-style-type: none"> Salaries & wages Benefits 	\$/invoice	\$/hour	Est. hours % of total
Indirect Overhead Costs	General administrative costs Shared office costs	<ul style="list-style-type: none"> CAO salaries and benefits Council costs Audit and legal Interest cost on office space Lease costs Utilities (i.e. telephone, heat) Photocopying (etc.) 		\$/hour \$/Sq meter	% of total
Shared Direct Operating Costs: Includes all costs directly attributable to the maintenance and repair of the utility. Public work employees repair and maintain both transportation and utility infrastructure. A representative portion of the cost for the public works department should be allocated to the utility.			Direct charge	\$/kilometer \$/hour	Est. hours % of total
Sub-Category	Asset/Activity	Expenses (object)			
Direct capital asset costs	Public works buildings Vehicles Machinery and equipment Road construction and maintenance equipment	<ul style="list-style-type: none"> Maintenance Fuel Insurance Amortization Interest cost on operating assets Lease costs 	Direct charge	\$/kilometer \$/hour	Est. hours % of total
Direct labour	Labour costs directly attributable to the maintenance and repair of utility TCA.	<ul style="list-style-type: none"> Salaries and wages Benefits 	Direct charge	\$/hour	Est. hours % of total
Shared Capital Costs: Shared capital costs should not be directly charged to utility operations. Capital costs should be capitalized as a tangible capital asset and amortized to utility operations over its useful life. The capital cost should include all costs directly attributable to the development and construction of a tangible capital asset. The cost of a tangible capital asset can include interest costs on debt directly attributable to the development and construction of a tangible capital asset. Only interest owed to external parties such as banks or debenture holders may be capitalized. Capitalization of interest cost should end when the asset is put into use or construction ceases.			Direct charge	\$/kilometer \$/hour	Est. hours % of total
Sub-Category	Equipment/Activity	Expenses (object)			
Direct overhead costs	Administrative	<ul style="list-style-type: none"> Legal fees Survey costs Design and engineering fees Interest on debt 	Direct charge		Flat rate based on relative values
Direct equipment costs	Operating costs for <ul style="list-style-type: none"> Vehicles Machinery and equipment Road construction and maintenance equipment 	<ul style="list-style-type: none"> Maintenance Fuel Insurance Amortization Interest cost on equipment Lease costs 	Direct charge	\$/kilometer \$/hour	Est. hours % of total
Direct labour	Labour costs directly attributable to the development and construction of a utility TCA	<ul style="list-style-type: none"> Salaries and wages Benefits 	Direct charge	\$/hour	Est. hours % of total

Schedule 9 – Schedule of Utility Operations

Schedule 9 was designed by PUB and provides detailed information on the operating results for a municipality's utilities. Schedule 9 simply replaces Statement 11 (Utility Operating Fund Statement of Revenue and Expenditures) in the pre-2009 financial statements.

Schedule 9 is different from the former statement 11 in that the presentation is in accordance with PSAB GAAP:

1. Amortization expense;
2. Transfers are presented below the net operating results; and
3. Comparative figures.

All revenues and expenses related to the utilities should be disclosed on Schedule 9. The expenses should reflect your allocation adjustments in accordance with your approved methodology. Water and sewer expenses are disclosed separately. When an expense is for both water and sewer then the cost should be allocated on a reasonable basis.

The operating results for each utility must be separately presented. It is not acceptable to present your utilities collectively. A municipality will have to prepare a separate Schedule 9 for each utility.

A completed Schedule 9 for the Town of Belle Plaine is presented as Exhibit 18 on page 76.

4.10 Schedule 10 – Reconciliation of the Financial Plan to the Budget

For 2009 municipalities will continue to prepare their financial plan on a non-consolidated revenue and expenditure basis. However, as described in “**Section 3.16 Budget Figures**”, municipalities will have to “PSAB” their 2009 financial plan for financial reporting purposes. Municipalities will have to disclose the reconciliation between the financial plan and the PSAB budget in the notes and/or schedules to the financial statements.

The major differences between the financial plan and PSAB are:

1. The financial plan is prepared on an expenditure basis (i.e. cash basis) while PSAB is prepared using full accrual accounting. Expenses are accrued as they are incurred and not when they are paid.
2. Under PSAB transfers are neither revenues nor expenses.
3. Only the interest portion of debt repayments is an expense in PSAB financial statements. The entire debt repayment is included as an expenditure in the financial plan.
4. In the financial plan the entire amount of a capital transaction is included as an expenditure of the accounting period. In PSAB capital expenditures are capitalized as TCA and amortized over their useful life.

Schedule 10 is a worksheet designed to help municipalities convert their financial plan into a PSAB budget. A completed Schedule 10 for the Town of Belle Plaine is presented as Exhibit 19 on page 77.

A detailed example on how to convert a financial plan is illustrated in Appendix 2 – Town of Richmond.

Exhibit #18 – Schedule of Utility Operations

TOWN OF BELLE PLAINE

SCHEDULE 9

SCHEDULE OF UTILITY OPERATIONS

Year Ended December 31, 2009

Agrees to Schedule 4 Consolidated Statement of Operations by Program – Exhibit 11, pg.65

	2009 Budget	2009 Actual	2008 Actual
REVENUE			
Water fees	\$ 331,000	\$ 332,000	\$ 331,000
Sewer fees	200,000	198,000	197,000
Property taxes	71,000	71,000	61,890
Bulk water fees	23,000	24,700	21,000
Connection charges	3,000	2,500	3,000
Penalties	7,000	6,700	8,000
Other income	1,000	600	800
Total revenue	636,000 #	635,500 #	622,690
EXPENSES			
General			
Administration	24,000	24,000	24,000
Training costs	13,000	7,550	14,000
Billing and collection	48,000	48,000	48,000
Utilities (telephone, electricity, etc.)	9,500	10,000	8,040
sub-total - general	94,500	89,550	94,040
Water			
Purification and treatment	95,000	97,000	95,000
Transmission and distribution	55,000	57,000	55,000
Transportation services	76,000	74,700	76,000
Connection costs	16,500	17,000	18,000
Amortization	45,000	47,500	45,360
Interest on long term debt	50,000	53,800	50,600
sub-total- water	337,500	347,000	339,960
Sewer			
Treatment and disposal cost	48,000	44,000	45,000
Lift Station costs	35,000	38,000	36,610
Amortization	25,000	27,800	26,640
Interest on long term debt	30,000	31,650	29,750
sub-total- sewer	138,000	141,450	138,000
Total expenses	570,000 #	578,000 #	572,000
NET REVENUES	66,000	57,500	50,690
TRANSFERS			
Transfers from (to) reserve funds	150,000	151,500	-
CHANGE IN UTILITY FUND BALANCE	216,000	209,000	50,690
FUND DEFICIT, BEGINNING OF YEAR	(30,750)	(30,750)	(19,550)
FUND SURPLUS, END OF YEAR	\$ 185,250 *	\$ 178,250	\$ 31,140

* - Agrees to the Consolidation of Funds – Exhibit #2 – pg. 20

Exhibit #19 – Reconciliation of the Financial Plan to the Budget

TOWN OF BELLE PLAINE

SCHEDULE 10

RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET

Year Ended December 31, 2009

	Financial Plan General	Financial Plan Utility	Amortization (TCA)	Interest Expense	Transfers	Consolidated Entities	PSAB Budget
REVENUE							
Property taxes	\$ 616,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 616,000
Grants in lieu of taxation	40,000	-	-	-	-	-	40,000
User fees	23,000	-	-	-	-	17,000	40,000
Grants - Province of Manitoba	59,000	-	-	-	-	66,000	125,000
Grants - other	15,000	-	-	-	-	-	15,000
Permits, licences and fines	2,500	-	-	-	-	17,500	20,000
Investment income	25,300	-	-	-	-	6,700	32,000
Other revenue	1,700	-	-	-	-	3,300	5,000
Water and sewer	-	565,000	-	-	-	-	565,000
Transfers from reserves	-	151,500	-	-	(151,500)	-	-
Total revenue	\$ 782,500	\$ 716,500	\$ -	\$ -	\$(151,500)	\$ 110,500	\$1,458,000
EXPENSES							
General government services	\$ 160,750	\$ -	\$ 7,500	\$ 6,750	\$ 5,000	\$ -	\$ 180,000
Protective services	16,000	-	4,000	-	-	-	20,000
Transportation services	153,250	-	76,500	10,250	-	-	240,000
Environmental health services	23,000	-	-	-	-	-	23,000
Public health and welfare services	12,000	-	-	-	-	-	12,000
Regional planning and development	3,800	-	1,200	-	-	30,000	35,000
Resource cons and industrial dev	16,000	-	-	-	-	17,000	33,000
Recreation and cultural services	27,200	-	9,800	-	-	58,000	95,000
Water and sewer services	-	417,000	73,000	80,000	-	-	570,000
Fiscal services:							
Capital expenditures	24,900	87,100	(112,000)	-	-	-	-
Debt charges	43,500	147,500	-	(191,000)	-	-	-
Transfer to reserves	293,500	-	-	-	(293,500)	-	-
Allowance for tax assets	5,000	-	-	-	(5,000)	-	-
Total expenses	\$ 778,900	\$ 651,600	\$ 60,000	\$ (94,000)	\$293,500	\$ 105,000	\$1,208,000
Surplus (Deficit)	\$ 3,600	\$ 64,900	\$ (60,000)	\$ 94,000	\$ 142,000	\$ 5,500	\$ 250,000

4.11 Other Schedules

There are five other schedules that are being carried forward the previous non-GAAP financial report to the new PSAB GAAP compliant financial statement template for fiscal 2009. These schedules are substantively the same as in 2008 therefore no examples are provided in the manual. Municipalities should continue to prepare them.

4.11.1 Schedule 11 - Analysis of Taxes on Roll:

This was formerly Schedule 1 – Analysis of Tax Assets in the old financial report. The schedule had to be modified slightly for 2009 since tax title properties should now be included in land and the tax sale certificate process ended with the passing of the new *Municipal Act* in 1997.

The schedule is now called “Analysis of Taxes on Roll”. The schedule is simply a reconciliation of the opening taxes on roll balances, at the beginning of the year, to the ending balance.

4.11.2 Schedule 12 - Analysis of Tax Levy:

This was formerly Schedule 2 – Analysis of Tax Levy in the old financial report. The schedule is identical for 2009. The schedule provides an analysis of the tax levy for the year.

4.11.3 Schedule 13 - Analysis of School Accounts:

This was formerly Schedule 4 – Analysis of School Accounts in the old financial report. The schedule is identical for 2009. The schedule provides an analysis of the changes in the payable to the school divisions.

4.11.4 Schedule 14 - Schedule of Debentures Pending:

This was formerly Schedule 9 – Debentures Pending in the old financial report. The schedule is identical for 2009. The schedule provides a listing of debentures authorized but not yet issued at year end. The municipalities should also total the amount of expenditures made against that borrowing authority for the year ended.

4.11.5 Schedule 15 – Schedule of L.U.D. Operations:

This was formerly the “Reconciliation of Revenues and Expenses” in the old financial report. Municipalities should prepare a separate “Schedule of L.U.D. Operations” for each of their local urban districts.

Change in Accounting Policies

Detailed Example – R.M. of Assiniboia

The following example provides an example of the disclosure required for the adoption of PSAB. The example uses the financial statements, consolidation worksheet and December 31, 2008 financial statements for the detailed case in **Section 4** of the **MRE & Consolidations Manual**. The financial statements, consolidation worksheet and December 31, 2008 financial statements can be downloaded from the AMM PSAB web-site at <http://www.amm.mb.ca/PSAB.html>.

The RM of Assiniboia had the following fund balances for the years ended December 31, 2007 and 2008. The financial statements were audited and prepared using generally accepted accounting practices for municipalities in Manitoba:

	<u>31/12/08</u>	<u>31/12/07</u>
Nominal Surplus – General Operating Fund	\$ 523,187	\$ 512,155
General Reserve Funds	478,291	365,648
Surplus – General Capital Fund	5,691,593	5,440,339
Nominal Surplus – Utility Operating Fund	255,455	246,683
Utility Reserve Funds	228,411	145,213
Surplus – Utility Capital Fund	3,935,580	3,884,440
LUD – Deferred Revenue	84,929	75,733
	<u>\$ 11,197,446</u>	<u>\$ 10,670,211</u>

The RM listed and valued its TCA as of December 31, 2007. At December 31, 2007 the RM determined that it had TCA with a NBV of \$15,895,400. The RM used the TCA Continuity Schedule to track its additions and amortization for the year ended December 31, 2008. TCA additions for the fiscal year ended December 31, 2008 were \$268,868. Amortization for the year ended December 31, 2008 was \$255,110. The TCA balances are summarized as follows:

	<u>2008</u>
NBV of TCA at January 1	\$ 15,895,400
Additions during the year	268,868
Amortization during the year	<u>(255,110)</u>
NBV of TCA at December 31	<u>\$ 15,909,158</u>

The Fixed Asset balances in the capital funds are summarized as follows:

	<u>2008</u>
Balance at January 1	\$ 11,122,017
Additions during the year	311,552
Disposals during the year	<u>(152,133)</u>
Balance at December 31	<u>\$ 11,281,436</u>

The December 31, 2009 consolidated financial statements were prepared in accordance with GAAP and showed a surplus of \$621,016.

Change in Accounting Policies

Detailed Example – R.M. of Assiniboia

The RM of Assiniboia is consolidating its controlled entities and government partnerships for the first time in 2009. From the consolidation worksheet the 2008 and 2009 summary financial information for the consolidated entities is as follows:

	31/12/09	31/12/08
Financial assets	\$ 425,836	\$ 384,286
Financial liabilities	(163,659)	(130,296)
Net financial assets	262,177	253,990
Non-financial assets	328,154	307,781
Accumulated surplus	\$ 590,331	\$ 561,771
Revenues	\$ 219,544	\$ 198,765
Expenses	190,984	167,067
Annual surplus	28,560	31,698
Opening accumulated surplus	561,771	530,073
Ending accumulated surplus	\$ 590,331	\$ 561,771

As CAO, your assignment is to prepare the proper disclosure, for the adoption of PSAB at January 1, 2009, in the notes to your 2009 consolidated financial statements.

Tip: Reconcile 2008 first. Separate the balances that affect the opening accumulated surplus at January 1, 2008 from the transactions that affect the 2008 annual surplus. Use the consolidation worksheet from the “Detailed Case – RM of Assiniboia” to help you reconcile 2008.

Change in Accounting Policies Detailed Example – R.M. of Assiniboia

Solution:

1. Change in Accounting Policies

The Municipality has restated its financial statements to comply with the adoption of generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB). Section PS3150 requires governments to record and amortize their tangible capital assets on their financial statements. PSAB also requires that the government reporting entity include all the organizations controlled by the government. PSAB also requires governments to account for government partnerships on a proportional consolidation basis whereby the government consolidates their pro-rata share of the partnership's assets, liabilities, revenues and expenses.

These adjustments are as follows:

	2009	2008
Opening accumulated surplus, all funds, as previously reported	\$ 11,197, 446	\$ 10,670,211
Adjustment for tangible capital assets	15,909,158	15,895,400
Adjustment for fixed assets in the capital funds	(11,281,436)	(11,281,436)
Opening non-consolidated accumulated surplus, restated	15,825,168	15,284,175
Consolidation of controlled entities and government partnerships	561,771	530,073
Opening consolidated accumulated surplus, as restated	16,386,939	15,814,248
Consolidated annual surplus	621,016	572,691
Consolidated accumulated surplus, end of year	\$ 17,007,955	\$ 16,386,939

To comply with the adoption of PSAB, adjustments were also made to the previously reported annual surplus for the year ended December 31, 2008.

	2008
Non-consolidated, annual surplus, as previously reported	\$ 527,235
Tangible capital assets previously expensed	268,868
Amortization not previously recorded	(255,110)
Non-consolidated, annual surplus, restated	540,993
Consolidated surplus from controlled entities and government partnerships	31,698
Consolidated, annual surplus, as restated	\$ 572,691

Converting a Financial Plan into a PSAB Budget

Detailed Example – Town of Richmond

The Town of Richmond is a small municipality in Manitoba. The Town has a water and sewer utility. The CAO Linda Anderson has prepared the 2009 fiscal plan in accordance with the *Municipal Act (1997)*. Council has approved the plan. Council also wants to know how the fiscal plan will look when it is converted into a format that is consistent with PSAB accounting practices. Linda must prepare the PSAB budget for the next council meeting. The Town's financial plan is summarized as follows:

	<u>Gen Op Fund</u>	<u>Utility Op Fund</u>	<u>Combined</u>
Property taxes	\$ 655,934		\$ 655,934
Water & Sewer		115,000	115,000
User fees	17,300	2,100	19,400
Government transfers	170,000	413,000	583,000
Fees, permits, fines	3,100		3,100
Investment Income	10,000		10,000
Grant in lieu of taxes	7,450		7,450
Other income	2,000		2,000
Transfer from accumulated surplus	95,000		95,000
Transfer from reserves	105,000		105,000
Total Revenues	\$ 1,065,784	\$ 530,100	\$ 1,595,884
General government	\$ 124,840		\$ 124,840
Protective services	18,000		18,000
Transportation services (Note 1)	304,500		304,500
Environmental health services (Note 2)	24,000		24,000
Public health & welfare services	3,550		3,550
Regional planning and development	3,622		3,622
Resource conservation & industrial dev	14,740		14,740
Recreational & cultural services	78,186		78,186
Water & sewer services		102,100	102,100
Fiscal services:			
Transfer to capital (fire truck & water plant upgrade)	167,500	413,000	580,500
Debenture charges (interest - \$950)	21,950		21,950
Short term loan interest	4,500		4,500
Transfer to reserves	35,000	15,000	50,000
Allowance for tax assets	2,731		2,731
Total Expenditures (Note 3)	\$ 803,119	\$ 530,100	\$ 1,333,219
Net operating surplus	\$ 262,665	\$ -	\$ 262,665

Note 1:

Transportation services include \$200,000 in capital expenditures for paving & curbing gravel residential streets.

Note 2:

The Town operates a landfill which is expected to close in 2040. Linda has accrued a landfill closure liability of \$35,000 at January 1, 2009. The landfill liability at December 31, 2009 has increased to \$45,000. Linda has not included any landfill closure expenses in her 2009 financial plan.

Converting a Financial Plan into a PSAB Budget Detailed Example – Town of Richmond

Note 3:

Other than the landfill liability, Linda Anderson has been accruing her liabilities and assets since December 31, 2007. Linda does not expect any significant changes in the level of her accruals at December 31, 2009. Amortization expense for 2009 is estimated to be as follows:

General government	\$ 30,590
Transportation services	\$100,497
Recreational & cultural services	\$ 31,663
Water and sewer services	\$ 68,868

The Town has 2 controlled entities (a CDC and a golf course.) and 1 government partnership (a planning district). For fiscal 2009 the Town is expecting to consolidate, after elimination of inter-entity transactions, the following revenues and expenses:

	Revenues	Expenses	Surplus
Community Development Corporation	\$ 7,000	\$ 2,000	\$ 5,000
Golf course	250,000	100,000	150,000
Planning District	35,000	34,000	1,000
	<hr/> \$ 292,000	<hr/> \$ 136,000	<hr/> \$ 156,000

Appendix 2

Converting a Financial Plan into a PSAB Budget Detailed Example – Town of Richmond

TOWN OF RICHMOND

SCHEDULE 10

RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET

Year Ended December 31, 2009

	<u>Financial Plan</u>	<u>Amortization (TCA)</u>	<u>Interest Expense</u>	<u>Transfers</u>	<u>Landfill Liability</u>	<u>Cons Entities</u>	<u>PSAB Budget</u>
Property taxes	\$ 655,934						\$ 655,934
Water & Sewer	115,000						115,000
User fees	19,400					250,000	269,400
Government transfers	583,000						583,000
Fees, permits, fines	3,100					35,000	38,100
Investment Income	10,000					7,000	17,000
Grant in lieu of taxes	7,450						7,450
Other income	2,000						2,000
Trsf from accm surplus	95,000			(95,000)			-
Transfer from reserves	105,000			(105,000)			-
Total Revenues	\$ 1,595,884	-	-	(200,000)	-	292,000	\$1,687,884
General government	\$ 124,840	30,590	4,500	2,731			\$ 162,661
Protective services	18,000						18,000
Transportation services	304,500	100,497 (200,000)					204,997
Environmental health	24,000				10,000		34,000
Public health & welfare	3,550						3,550
Regional planning	3,622					34,000	37,622
Resource conservation	14,740					2,000	16,740
Recreational & cultural	78,186	31,633				100,000	209,819
Water & sewer	102,100	68,868	950				171,918
Fiscal services:							
Transfer to capital	580,500	(580,500)					-
Debenture charges	21,950		(21,950)				-
Short term interest	4,500		(4,500)				-
Transfer to reserves	50,000			(50,000)			-
Allowance for tax assets	2,731			(2,731)			-
Total Expenditures	\$1,333,219	(548,912)	(21,000)	(50,000)	10,000	136,000	\$ 859,307
Net operating surplus	\$ 262,665	548,912	21,000	(150,000)	(10,000)	156,000	\$ 828,577

Process for Preparing Consolidated Municipal Financial Statements



Glossary of Terms and Acronyms

Terms:

Assets:

Assets are economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained. Assets embody a future benefit that involves a capacity to provide future cash flows, or to provide goods and services.

Expenses:

Expenses, including losses, are decreases in economic resources, either by way of a decrease in assets or increase in liabilities, resulting from operations, transactions and events of the accounting period. Amortization is an expense. Expenses do not include the principal portion of debt repayments or transfers to other funds.

Financial Assets:

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash, accounts receivable, temporary investments, and portfolio investments. Tangible capital assets are non-financial assets.

Liabilities:

Liabilities are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic resources at a specified or determinable date. Liabilities embody a duty of responsibility to others leaving the government little or no discretion to avoid.

Net Book Value:

The net book value of a tangible capital asset is the cost, less the accumulated amortization and the amount of any write-downs. It is the balance that appears on the statement of financial position.

Net Debt:

A government is in a net debt position when its liabilities exceed its financial assets.

Net Financial Assets:

A government is in a net financial asset position when its financial assets exceed its liabilities.

Net Realizable Value:

Net realizable value is the amount that would be received from selling an asset less any costs related to the sale.

Non Financial Assets:

Non financial assets are acquired, constructed, or developed assets that do not normally provide resources to pay existing liabilities. Financial assets are normally employed to deliver government services, are consumed in the normal course of business, and are not for sale in the normal course of operations.

Revenues:

Revenues, including gains, are increases in economic resources, either by way of increases of assets or decreases of liabilities, resulting from operations, transactions or events of the accounting period.

Glossary of Terms and Acronyms**Three Letter Acronyms (TLA):**

NBV	-	Net Book Value
NRV	-	Net Realizable Value
TCA	-	Tangible Capital Asset