
PSAB Implementation in Newfoundland and Labrador Municipalities

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Overview

- Background
- Gas Tax Agreement
- Key Changes
- Key Dates
- Non-compliance
- Municipal Affairs' Plan

Background

- Public Sector Accounting Board of the Canadian Institute of Chartered Accountants
- Regulates accounting principles and practices for all **government levels** across Canada.
- Another step towards accountable and transparent governments

Gas Tax Agreement

- Gas Tax funding agreement signed – 2006
- Adopt and use PSAB accounting rules by **March 31, 2009** (P/M GT agreement) and **March 31, 2010** (F/P GT agreement)
- Annual expenditure and compliance report to be completed and audited
- **March 31, 2009** – Note disclosure on plan and progress will be acceptable

Key Changes

Tangible Capital Assets

Consolidation of Controlled Entities

Accruals & Environmental Liabilities

Financial Statement Format

Financial Plan Format (Budget)

Key Changes

Tangible Capital Assets

- Current practice is to expense TCA
- PSAB requires the capitalization and recognition of expense over time
- Examples include:
 - ▶ Buildings & vehicles
 - ▶ Computers
 - ▶ Roads & Streets
 - ▶ Water & Sewer Systems

Key Changes

Consolidation of controlled entities

- Current practice is to only record municipality's operations
- PSAB requires:
 - ▶ Consolidation of all controlled organizations
 - ▶ Proportionate consolidation of non-controlling interest in organizations

Key Changes

Accrual of all liabilities

- Current practice uses modified cash basis
- PSAB requires accrual basis:
 - ▶ Salary & wages payable
 - ▶ Vacation payable
 - ▶ Vested sick leave
 - ▶ Landfill closure & post closure costs
 - ▶ Environmental liabilities

Key Changes

F/S presentation & disclosure

- Current financial statements omit a lot of information
- PSAB will present the “full” financial picture
 - ▶ Uses 1 set of summary financial statements instead of presenting results by funds
 - ▶ Could result in municipalities moving from a surplus to a deficit

Key Changes

Financial Plan Format (Budget)

- Current budgets exclude non-cash items and include additional items
- In 2009, budgets will have to comply with PSAB financial statement presentation

Key Dates

Task	Date
Municipality to Complete TCA Listing	September 30, 2008
Distribution of Phase Two Manuals	Early October
Phase Two Information Sessions	October through December
Complete TCA Valuation	December 1, 2008
Identify & consolidate controlled entities	December 1, 2008
Complete all Opening Balances	December 31, 2008
PSAB Compliance Due Date (Gas Municipal GT Agreement)	March 31, 2009
Submit 2008 Financial Statements	June 30, 2009
Submit 2009 Financial Statements (PSAB Compliant)	June 30, 2010

Key Dates

What is the urgency if not required until 2010?

- 2009 financial statements due on June 2010 will require comparative figures for 2008

This means:

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

Benefits of PSAB

- ❑ Transparency & accountability
- ❑ Long-term sustainability and decision-making
- ❑ Fiscal responsibility and infrastructure planning
- ❑ Foundation for asset management

Non Compliance?

- Municipal auditor must qualify his/her audit opinion
 - Could affect financing costs with banks
 - Public concern over council's management practices

Non Compliance?

- Gas Tax agreements requires municipalities to comply with PSAB
 - Affect payment and eligibility of Gas Tax funding
- Could affect eligibility for other Federal & Provincial programs

Municipal Affairs' Plan

- Provide leadership and direction
 - Ensure that key project milestones are met
 - Review and amend legislation
 - Provide matched funding for seminar/information sessions
 - Coordinate with stakeholders including municipalities, auditors and accountants, engineers, accounting associations and consultants

Municipal Affairs' Plan

- Established a Project Team to address technical issues created by the move to PSAB:
 - Develop practical manuals
 - Provide information sessions
 - Provide resources and ongoing support

Municipal Affairs' Plan

- Adoption of PSAB is a major undertaking
- Requires efforts by municipalities and assistance from auditors and other stakeholders
- Municipal Affairs will assist and provide support.

Timelines

	Date
Phase One <ul style="list-style-type: none">➤ Establish Steering and Working Committee➤ TCA Reference Manual & Information Sessions	January – September 2008
Phase Two <ul style="list-style-type: none">➤ Launch PSAB resource website➤ TCA Valuation Manual➤ Reference Manual & Information Sessions<ul style="list-style-type: none">• Accruals, Environment Liabilities, etc.• Municipal Reporting Entities, Consolidations	September – December 2008
Phase Three <ul style="list-style-type: none">➤ Reference Manual & Information Sessions<ul style="list-style-type: none">• F/S Presentation & Disclosure• Financial Planning (Budgets)	2009
Ongoing Support	January 2008 – Indefinite

Contact Information

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