
PSAB Implementation in Newfoundland and Labrador Municipalities

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Focus of presentation

- PSAB Overview
- TCA – why it is important?
- Department’s plan to assist municipalities
- Project Structure
- Project Timelines
- TCA 3150 – how to implement?
- How Auditors can assist
- What municipalities have to do now
- Closing

PSAB Overview

- Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA).
- Drew attention to the state of the Federal debt/deficit in the 80's and the Provincial debt/deficit and unfunded pension liability in the 90's.
- PSAB imposed by the national standard setting body --- not by the governments.

PSAB Overview

- More focus now on improving the financial reporting of local governments. (But not new – 1990)
- To make elected officials accountable for decisions made now that impact on future taxpayers.

PSAB Overview - Gas Tax Agreement

- Federal/Provincial Signed - August 2006. Template for Provincial/Municipal agreement completed.
- Annual expenditure and compliance report to be completed and audited.
- Section 1.4 – all calculations to be made in accordance with GAAP. PS 1150 says PSAB is GAAP for local governments effective April 2005, for Newfoundland effective 2007 fiscal year.
- Section 4.3 –to adopt and use PSAB accounting rules by March 31, 2009.

Where to from here?

Tangible capital assets – major exercise to inventory, value and amortize all infrastructure.

Reporting entity – identification of all agencies and boards under municipal control.

Financial Statements – to be presented on a net debt basis –may result in reporting a significant deficit.
(Or significant surplus!)

New liabilities - To be costed and included. Eg. – landfill closure.

Tangible Capital Assets

Why is it important?

- In the past, without accounting for capital assets all levels of government could ignore asset replacement in favour of keeping tax rates down.
- This policy resulted in a general deterioration of all capital assets and government's financial position. Also, the effect of poor asset management is not visible as information on the value and condition of assets is not currently reported.
- At a municipal level the effect was to push the financial implications of capital asset replacement requirements on to future councils and taxpayers.

TCA – Why is it important?

- If viewed simply as an accounting exercise, a huge opportunity is lost.
- Asset management is the goal.
- Both are needed to be accountable to the public and provide full information for decision making.

TCA – why is it important?

- Much information is necessary – not just the historical cost of assets and their annual depreciation.
- Will require significant efforts to identify and value assets.
- This information is vital for stewardship, accountability, costing and developing asset management plans - ongoing maintenance and replacement requirements.

Department's Plan to assist Municipalities

- ❑ Provide guidance and assistance
- ❑ Promote increased awareness and communication
- ❑ Facilitate cooperation among major stakeholders

Department's Plan to assist Municipalities

More specifically:

- Developing guidelines and reference manuals
- Delivering training and information sessions
- Communicating and coordinating with stakeholders including municipalities, auditors and accountants, engineers, accounting associations and consultants

Department's Plan to assist Municipalities

- Reference manual provides basic approaches to identify and value assets
- Prescriptive, easier to follow for non-accountants - “just tell me what to do”
- Consider the capacity and desire to standardize
- Assist smaller municipalities to identify and value “hard to see assets”
- Start early and follow timelines

PSAB Project Structure

- Steering and Working Committee
 - NLAMA
 - Regional Operations
 - Engineering support
 - Policy Support
 - Committee
 - Training Support
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Project Timelines - 2008

Phase 1 – PS 3150 TCA	
May - June	Training and Information sessions
May - Sept	Identify TCA
Sept 30	Complete TCA listing
Dec 1	Complete TCA Valuation
Dec 31	Complete TCA opening balances

Project Timelines- 2008

Phase 2 – Accruals, Environmental Liabilities, Financial Statements and Reporting Entity	
Oct - Nov	Training and information sessions
December	Complete opening balances

Training and Information Sessions

Training Location	Date
Gander	May 1
Whitbourne and St. John's	May 7 and 8
Clarenville and Bay Roberts	May 14 and 15
Plum Point and Rocky Harbour	May 21 and 22
Springdale, Grand Falls – Windsor, Milltown – Head of Bay D'Espoir	May 27, 28 and 29
Marystown	June 5
Stephenville and Corner Brook	June 11 and 12
Labrador City and Happy Valley – Goose Bay	June 18 and 19

How Auditors can assist

- Assist in developing work plans
- Advice on approaches to obtain the required information
- Note: should not be directly involved in the valuation process or in data gathering – maintain professional independence
- Communication with auditors will help avoid problems down the road

What Municipalities Have To Do Now

- Start Phase 1 by listing TCA
- Talk to your auditors and councils
- Participate in training sessions
- Maintain communication with the Working Committee
- Follow the project timelines for TCA
- Be ready for the 2nd phase of the project - accruals, new liabilities, financial statements and government entity reporting

Closing

- Conversion to PSAB will result in a lot of benefits in the long term
- Until it is done, however, it will require a lot of effort from all stakeholders
- There is an increased awareness from municipalities with regards to the project
- We all need to continue to work together to ensure that PSAB gets effectively implemented

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Thank You