

PSAB/Asset Management

NEWSLETTER NO. 4

PSAB Update

by Dan Cowin, Executive Director, MFOA

The Public Sector Accounting Board (PSAB) met in November of 2006. Key decisions were summarized in the December 2006 edition of the [PSAB Bulletin](#) and the [Decision Summary](#). At the meeting, the Board approved final revisions to:

- PS 1000, Financial Statement Concepts
- PS 1100, Financial Statement Objectives
- PS 1200, Financial Statement Presentation

Together, PS 1000, 1100 and 1200 outline the financial reporting model that local governments will be required to adopt for fiscal years beginning on or after January 1, 2009. This model is the same reporting model currently used by the federal government, the provinces and territories. By 2009, all governments will be reporting on a full accrual basis. Future Newsletters will outline in detail what these sections will require and what they will mean for municipalities.

In June, 2006, PSAB approved minor modifications to PS 3150 – Tangible Capital Assets and made it applicable to municipalities for fiscal years beginning on or after January 1, 2009. The CICA is currently working on a implementation guide called “Accounting for Capital Assets by Local Government” which we expect to be available in April. In addition, OMBI’s revision to its guide is also expected to be available very shortly, as well as write ups of the 6 pilot studies that were conducted. Together these documents will provide important technical information, as well as tips on mistakes to avoid. These will provide useful background just as many municipalities will be completing their budget deliberations.

Other PSAB Initiatives

There are several other projects of note currently underway at the CICA.

Assessment of Tangible Capital Assets

This project was formerly known as Reporting on the Infrastructure Deficit. The Board discussed this project in November and agreed with a recommended scope change. The project work plan has targeted March for a release of a Statement of Principles and September for an Exposure Draft. This project has the potential to bring some standardized treatment to

reporting on the condition of existing assets. This work is clearly complimentary to the reporting requirements under PS 3150.

Government Transfers

PS 3410 deals with Government Transfers. In June of 2006, PSAB approved an exposure draft with regard to Government Transfers. The MFOA/AMCTO PSAB Committee provided a number of comments on this exposure draft. At its meeting in November, the Board examined responses to the Exposure Draft. As noted in the Decision Summary:

The issues raised by respondents and the recent approval of the new International Public Sector Accounting Standard IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, which also interprets the liability definition differently than the Government Transfers ED, prompted the PSAB to ask the Government Transfers Task Force to revisit the application of the liability definition to transfers. The outcome of that review is expected to be presented to the PSAB in late March 2007.

Performance Reporting

The Board approved Statement of Recommended Practice (SORP) #2 - [Public Performance Reporting](#) in June, 2006. Based on feedback from Associates, PSAB approved a plan for next steps in its performance reporting project that included the development of a new SORP about identifies indicators of financial condition for each order of government and recommends the level and extent of contextual information that should be disclosed when reporting financial condition indicators. PSAB plans to approve a Statement of Principles in June, issue an Exposure Draft in November and to approve a final Statement of Recommended Practices in June of 2008. For a further background on this project, see the [summary](#) on the CICA website.

Readers are reminded that SORPs are not part of generally accepted accounting principles, therefore compliance is not mandatory. However, if your municipality chooses to report on performance, you should follow PSAB's recommended practices.

Presentation on the Transition to Full Accrual Accounting

In November 2006. Tammy Wolters, Treasurer of Lanark County, gave a presentation to the Eastern Ontario Treasurers on the [Transition to Full Accrual Accounting](#). The table below is from her presentation where she cited many of the changes that have been referred to above. See here presentation for further information.

See Tammy's presentation for additional information on these changes to the PSAB handbook.

PSAB Section	Description
1000	Financial Statement Concepts
1100	Financial Statement Objectives
1200	Financial Statement Presentation
3150	Tangible Capital Assets
3410	Government Transfers
2700	Segment Disclosures
Guideline	Performance Reporting , (Exposure Draft)

Future Newsletter Topics

We are anticipating the release of OMBI Guide and case studies very soon. Our next Newsletters will focus on the guide and lessons learned from the case studies in addition to some basic background on the move to full accrual accounting and what it means for municipalities.

We invite you to let us know if there is an issue that you would like to see addressed in the Newsletters. We are also interested in having our members submit anything that you come across with regard to tangible capital assets, financial reporting, asset management or long-term financial planning including any reports or presentations that you have given or prepared that could be of use to others.

For more information and resources regarding tangible asset management, go to [PSAB/Asset Management](#), or contact:

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