

PSAB Update

June 5, 2006

Recent Activities of PSAB

PSAB will be very active in 2006, overseeing a variety of changes in financial reporting that will affect municipalities. The easiest way to stay current on these changes is to review the CICA Bulletin which is generally published after each meeting of the Board. The most recent Bulletin, [May 2006](#), provides a very good update on the Board's March meeting and on a number of PSAB projects, including:

- Reporting Model and Tangible Capital Assets
 - See the CICA briefing note on the [Reporting Model](#) project.
 - Access [the Exposure Draft](#), which revises PS 1000, 1100 and 1200. Comments are due by August 15, 2006.
 - The Board is expected to approve a final handbook section on this issue in November.
- Tangible Capital Assets
 - This will have major implications for municipal financial reporting.
 - An [Exposure Draft](#) has been circulated previously. Comments were due by April 30, 2006.
 - The Board will be considering comments on this exposure draft at its June meeting.
 - The main issue before the Board will be the implementation date which is currently set for January 1, 2009. Some commentators have requested an additional deferral to January 1, 2010.
- Tax Revenue (formerly the Revenue Project)
 - At its March meeting, the Board approved an invitation to comment on "[Tax Revenue.](#)"
 - The Board is seeking comment on the appropriateness of adopting the work of the International Public Sector Accounting Standards Board's work with regard to the reporting and definition of tax revenue.
 - The original Revenue Project addressed a shortcoming in government GAAP in Canada — the absence of a definition of revenue for governments in the CICA Public Sector Accounting (PSA) Handbook. That project proposed to address the accounting for numerous revenue sources.
 - See the CICA's [background note](#) on this project.
 - Comments due by June 30, 2006.

Other PSAB Projects

- Financial Instruments
 - The Board released a Statement of Principles entitled "Recognition and Measurement of Derivatives." Comments on this document were due on April 21, 2006.
 - See the [CICA background note](#) on this project.
 - The Board is expected to approve this Statement of Principles in November. An Exposure Draft is expected in the fall of 2007.
 - This project will be of interest to municipalities that expect to utilize the powers granted in December of 2005 to enter into:
 - Forward rate agreements
 - Bond forward contracts
 - Commodity price agreement
- Performance Reporting
 - The Board issued a [Statement of Recommended Practice](#) on Performance Reporting in March 2006 and comments were due by May 12, 2006. It is expected that the Board will give final approval for this SORP at its June meeting.

- See the [CICA background note](#) on this project.
- Infrastructure Reporting Proposal
 - At its June meeting, the Board will consider a proposal to provide guidance with regard to reporting of infrastructure which could, if adopted, result in greater standardization and quantification of infrastructure deficits. The proposal stage is the first stage in the Board's approval process. It is anticipated that this project will take several years before guidance is available.

Canada Day at the Montreal GFOA Conference

In May of 2006, GFOA held its 100th annual conference in Montreal. A session was held on "Canada Day" entitled: Accounting for Capital Assets and the Proposed Municipal Reporting Model. Michael Ruta, of the City of Winnipeg, moderated a session that included the following speakers and presentations.

[Tim Beauchamp](#), Director, Public Sector Accounting, Canadian Institute of Chartered Accountants, Toronto, Ontario

- ***A Century of Progress in Government Finance: Capital Asset Accounting by the Public Sector Accounting Board (PSAB) of Canada***

[Robert Siddall](#), Office of the Provincial Controller, Province of Ontario

- ***Accounting and Budgeting Tangible Capital Assets: Practical Tips from Ontario***

[Cam Weldon](#), Treasurer, City of Toronto

- ***Municipal Guide for Accounting for Capital Assets***

CICA Resources Related to Tangible Capital Assets

In a number of our recent updates we have recommended the following general resources, available on the CICA website, for those who are looking for basic information with regard to accrual accounting. [The New Government Reporting Model](#) is a short (3 page) paper that identifies the 5 key new concepts around in the new model:

- Net debt/net financial assets
- Accumulated surplus/deficit
- Annual surplus/deficit
- The change in net debt, and
- The change in cash and cash flows.

This short paper also provides a simple example of what the new financial statements will look like.

[20 Questions About Government Financial Reporting](#) identifies frequently asked questions about accrual accounting. It provides responses to such questions as:

- Why is a new reporting model required?
- What is accrual accounting?
- What are the key features of the new reporting model?
- What do the new statements look like?

As noted in previous PSAB updates, these documents might be useful for non-financial managers as well as elected officials or as an introduction to the topic for finance staff.

Next Update

We anticipate that PSAB will make a decision with respect to the implementation date for PS 3150 on June 12. Our next update will report to you on this decision and will also:

- Identify some available resources to help you get started on the road to PSAB compliance, and
- Update you on the results of the PSAB survey that was recently circulated by the AMCTO and MFOA.