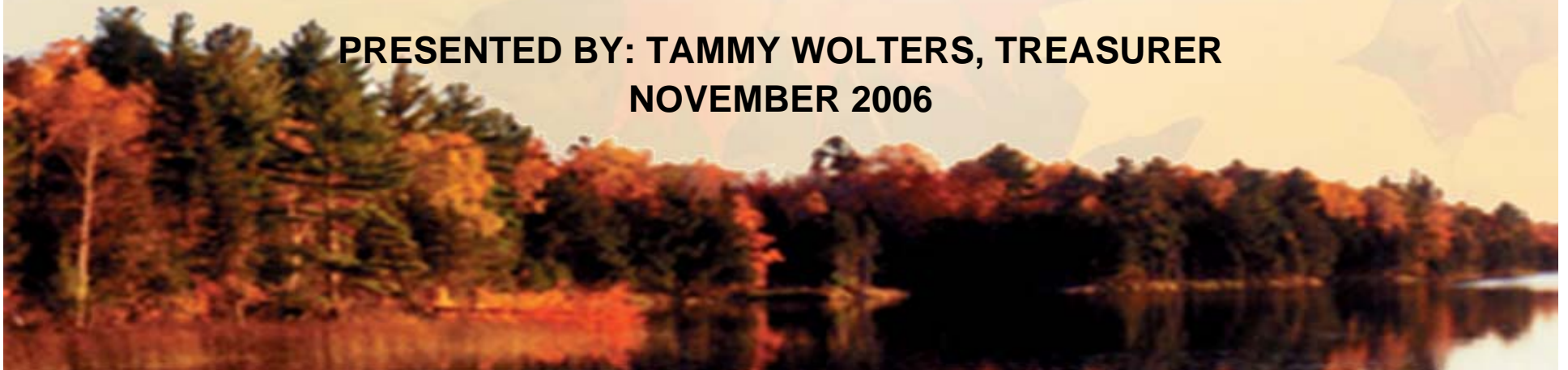


LANARK COUNTY

TRANSITION TO FULL ACCRUAL ACCOUNTING

**PRESENTED BY: TAMMY WOLTERS, TREASURER
NOVEMBER 2006**



PSAB CHANGES

NEW PSAB SECTION	DESCRIPTION
1000	FINANCIAL STATEMENT CONCEPTS
1100	FINANCIAL STATEMENT OBJECTIVES
1200	FINANCIAL STATEMENT PRESENTATION
3150	TANGIBLE CAPITAL ASSETS
3410	GOVERNMENT TRANSFERS
1900	SEGMENT DISCLOSURES
GUIDELINE	PERFORMANCE REPORTING

PSAB CHANGES – MODIFIED ACCRUAL TO FULL ACCRUAL

- EXPENDITURE BASED VS. EXPENSE BASED
 - CASH BASED VS ACCRUAL BASED
 - MATCHING PRINCIPLE NOT APPLICABLE – (EXPENSES INCURRED WHEN REVENUES ARE EARNED)
 - KEY DIFFERENCES
 - ASSET ACCOUNTING
 - INVENTORY
 - PREPAID EXPENSES
 - FUND ACCOUNTING
-

PSAB SECTION 1000 – FINANCIAL STATEMENT CONCEPTS

USED IN EXERCISING PROFESSIONAL JUDGEMENT IN PREPARING FINANCIAL STATEMENTS AND APPLYING GAAP

- FINANCIAL STATEMENT OBJECTIVES
 - BENEFIT VS COST CONSTRAINT
 - QUALITATIVE CHARACTERISTICS
 - RELEVANCE
 - RELIABILITY
 - COMPARABILITY
 - UNDERSTANDABILITY AND CLEAR PRESENTATION
 - QUALITATIVE TRADE OFF BETWEEN RELEVANCE AND RELIABILITY
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PSAB SECTION 1000

ELEMENTS OF FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

ASSETS (D) – (section 1000.37) – 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

FINANCIAL ASSETS (Section 1000.41) – includes:

- CASH
- RIGHTS TO RECEIVE CASH
- FINANCIAL CLAIMS ON OUTSIDE ORGANIZATION
- INVENTORY FOR SALE THAT MEETS SECTION 1200.52

LIABILITIES (C) – PRESENT OBLIGATIONS ARISING FROM PAST TRANSACTIONS OR EVENTS, THE SETTLEMENT IS EXPECTED TO RESULT IN THE FUTURE SACRIFICE OF FUTURE ECONOMIC BENEFITS

NET DEBT – DIFFERENCE BETWEEN LIABILITIES AND FINANCIAL ASSETS

NON-FINANCIAL ASSETS (Section 1000.42)

- TANGIBLE CAPITAL ASSETS
- PREPAID EXPENSES
- INVENTORIES OF SUPPLIES

ACCUMULATED SURPLUS (DEFICIT) – DIFFERENCE BETWEEN NET DEBT AND NON-FINANCIAL ASSETS

PSAB SECTION 1000

ELEMENTS OF FINANCIAL STATEMENTS

STATEMENT OPERATIONS – FINANCIAL ACTIVITY FOR A FISCAL PERIOD (EG. MONTH, YEAR)

REVENUES - EXPENSES = ANNUAL SURPLUS (DEFICIT)

REVENUES – INCREASES IN ECONOMIC RESOURCES (INCREASES IN ASSETS, DECREASES IN LIABILITIES) INCLUDING GAINS – RESULTING FROM TRANSACTIONS OF THE ACCOUNTING PERIOD

- DO NOT INCLUDE DEBT PROCEEDS OR TRANSFERS FROM OTHER GOVT UNITS WITHIN THE REPORTING ENTITY

EXPENSES – DECREASES IN ECONOMIC RESOURCES INCLUDING LOSSES (DECREASES IN ASSETS, INCREASES IN LIABILITIES) INCLUDING AMORTIZATION OF TANGIBLE CAPITAL ASSETS

- DO NOT INCLUDE DEBT REPAYMENTS OR TRANSFERS TO OTHER GOVT UNITS WITHIN THE REPORTING ENTITY

PSAB SECTION 1100 – FINANCIAL STATEMENT OBJECTIVES

- **GOVT AND PRIVATE SECTOR ARE DIFFERENT**
 - GOVTS NOT IN BUSINESS TO MAKE PROFIT
 - PROVIDE PUBLIC SERVICES AND REDISTRIBUTE WEALTH FOR SOCIAL AND ECONOMIC PURPOSES
 - TANGIBLE CAPITAL ASSETS ARE DIFFERENT IN NATURE
 - TAXATION PRIMARY REVENUE SOURCE
 - NON-COMPETITIVE ENVIRONMENT
 - HIGHER STANDARD OF ACCOUNTABILITY
 - DEBT CAPACITY
 - BUDGETS PORTRAY PUBLIC POLICY
-

PSAB SECTION 1100 – FINANCIAL STATEMENT OBJECTIVES

- 1) FULL NATURE AND EXTENT OF FINANCIAL RESOURCES WHICH GOVT CONTROLS INCLUDING AGENCIES AND ENTERPRISES
 - 2) FINANCIAL POSITION AT END OF ACCOUNTING PERIOD
 - 3) CHANGES IN FINANCIAL POSIITON
 - 4) ACCOUNTABILITY FOR RESOURCES, OBLIGATIONS AND FINANCIAL AFFAIRS
 - a. BUDGET VS ACTUALS ON STATEMENT OF OPERATIONS AND STATEMENT OF CHANGE IN NET DEBT
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PSAB SECTION 1200 – FINANCIAL STATEMENT PRESENTATION

- STATEMENTS REQUIRED
 - FINANCIAL POSITION
 - INDICATION OF NET DEBT AND NET ASSETS
 - STATEMENT OF OPERATIONS
 - COST OF PROVIDING SERVICES
 - EXTENT OF NET ASSETS MAINTAINED IN THE PERIOD
 - CHANGE IN NET DEBT
 - EXTENT TO WHICH EXPENDITURES ARE OFFSET BY REVENUES IN THE PERIOD
 - DIFFERENCE BETWEEN SURPLUS(DEFICIT) AND CHANGE IN NET DEBT
 - CASH FLOW
 - CHANGE IN CASH AND HOW GOVT FINANCED ACTIVITIES
 - NOTES TO FINANCIAL STATEMENTS
 - COMPARISON WITH CURRENT AND PREVIOUS PERIOD
-

OLD FINANCIAL STATEMENTS
Statement of Financial Position

Financial Assets

Cash and equivalents

Accounts receivable

Liabilities

Accounts Payables

Employee future benefits

Deferred Revenue

Net Long term liabilities

Municipal Position

Amounts to be recovered

Fund Balances

Total Municipal Position

NEW FINANCIAL STATEMENTS
Statement of Financial Position

Financial Assets

Cash and equivalents

Accounts receivable

Inventories for resale

Liabilities

Accounts Payables

Employee future benefits

Deferred Revenue

Net Long term liabilities

Net Debt

Non Financial Assets

Tangible Assets

Inventories of Supplies

Prepaid Expenses

Accumulated Surplus (deficit)

COMPARISON YEAR REQUIRED

OLD FINANCIAL STATEMENTS

Statement of Operations

NEW FINANCIAL STATEMENTS

Statement of Operations

Revenues

Revenues

Current Expenditures

Expenses

Capital Expenditures

Total Expenditures

Net Expenditures for the Year

Annual Surplus (deficit)

Financing and Transfers

 Proceeds of long term debt

Accumulated deficit at beginning of year

 Debt principal repayments

Accumulated surplus / (deficit) at end of
year

Increase (Decrease) in Fund Balances

BUDGET FOR CURRENT YEAR, ACTUALS FOR CURRENT AND PREVIOUS

NEW FINANCIAL STATEMENTS
STATEMENT OF CHANGE IN NET DEBT

ANNUAL SURPLUS(DEFICIT)

LESS: ACQUISITION OF TANGIBLE CAPITAL ASSETS
PLUS: AMORTIZATION OF TANGIBLE CAPITAL ASSETS
(GAIN) LOSS ON SALE OF TANGIBLE CAPITAL ASSETS
PROCEEDS ON SALE OF TANGIBLE CAPITAL ASSETS
WRITE-DOWNS OF TANGIBLE CAPITAL ASSETS

LESS: ACQUISITION OF SUPPLIES INVENTORIES
LESS: ACQUISITION OF PREPAID EXPENSES
PLUS: CONSUMPTION OF SUPPLIES INVENTORIES
PLUS: USE OF PREPAID EXPENSES
(INCREASE) DECREASE IN NET DEBT
NET DEBT AT BEGINNING OF PERIOD
NET DEBT AT END OF PERIOD

BUDGET FOR CURRENT YEAR, ACTUALS FOR CURRENT AND PREVIOUS

NEW FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS (DIRECT METHOD)

OPERATING TRANSACTIONS

CASH RECEIVED FROM:

TAXES

TRANSFERS

FEES

CASH PAID FOR:

SALARIES AND WAGES

MATERIALS AND SUPPLIES

GRANTS

FINANCING CHARGES

CASH PROVIDED BY OPERATING TRANSACTIONS

CAPITAL TRANSACTIONS

PROCEEDS ON SALE OF TANGIBLE CAPITAL ASSETS

CASH USED TO ACQUIRE TANGIBLE CAPITAL ASSETS

CASH APPLIED TO CAPITAL TRANSACTIONS

INVESTING TRANSACTIONS

FINANCING TRANSACTIONS

INCREASE (DECREASE) IN CASH

CASH AT BEGINNING OF YEAR

CASH AT END OF YEAR

ACTUALS FOR CURRENT AND PREVIOUS

*CAN USE THE INDIRECT METHOD OR THE DIRECT METHOD

FINANCIAL STATEMENT & DISCLOSURE REQUIREMENTS

Other requirements

- Amortization method used and rates
- Net book value of assets not being amortized (eg. under construction)
- Contributed capital received
- Nature of use of tangible assets with nominal value
- Nature of works of arts/historical treasures held
- Amount of interest capitalized in the period
- Deferred maintenance, contractual obligations and contingencies.

OTHER IMPLICATIONS

- Budget approach changes
 - Still being discussed
 - Fund Accounting – will it continue?
 - Can only disclose reserves in the notes
 - Training
 - Enhanced accounting and accrual responsibilities
 - Transition to full accrual (eg. prepaid expenses, inventory recognition etc)
 - New Financial Statement Presentation
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OUTSTANDING ISSUES/IMPLICATIONS

- Budget Presentation
 - Accrual vs Cash (or both?)
 - Municipal Act changes regarding balanced budget?
 - Fund Accounting – will it continue?
 - Audit Implications
 - Thresholds/Materiality
 - New Financial Statement Presentation
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NEXT STEPS – WHAT ARE ORGANIZATIONS DOING

- MFOA/AMCTO PSAB COMMITTEE
 - **Reviews and comments on all PSAB sections**
 - **Survey shows lack of readiness**
 - Training planned
 - Newsletters
 - PSAB to partner
 - OMBI
 - Pilot Projects
 - Developing How To Guide and Steps – Draft is ready
 - MMAH
 - Budget models and transition
 - PSAB
 - Developing guidance material
 - New projects – infrastructure deficit
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