

Moving Beyond PSAB 3150 Compliance

Municipalities face more decisions and changes

As municipalities proceed into 2009, there is a great deal more on the minds of staff than the approval of another annual budget. In the forefront, 2009 marks the year each municipality in Canada must comply with Public Sector Accounting Board (PSAB) section 3150 relating to the disclosure of tangible capital assets on their audited financial statements.

What's more, the traditional format used to present municipal financial statements is also changing in 2009. Not only will the new statements include tangible capital asset balances, it will also introduce the concepts of "accumulated surplus" and "non-cash expenses" that will drastically alter the presentation of year end results.

Watson & Associates Economists Ltd. recognizes the number of legislative and procedural decisions and changes facing municipalities in 2009 and 2010 as a result of PSAB 3150. In this regard, a series of Watson newsletters will be published in 2009 to assist municipal staff in meeting legislative requirements and to develop financial tools that will assist in long term financial planning moving forward.

Watson has extensive experience in each of the following areas, as a result of working with over 35 municipalities in the area of PSAB 3150 compliance/

asset management and with over 80 municipalities in the area of water and wastewater rates and Ontario Regulation 453/07 reporting. Specifically the topics that will be discussed in future newsletters will address the following topics in more detail:

Not Quite PSAB 3150 Compliant?

As of early 2009, there are many municipalities that have a lot of work ahead of them in complying with PSAB 3150. It is important to remember that it is not too late to become compliant before the deadline.

The key is having an implementation plan in place and the policies required to not only become compliant, but maintain compliance over the long-term. Municipalities still working on becoming compliant can gain insight from implementation plans, policies and procedures that have been implemented by other municipalities. However it is important to make sure that each municipality's specific goals and needs are considered during this process.

There are many different approaches to becoming PSAB 3150 compliant, each with a different level of effort and resulting benefit. At this point it is crucial that municipalities choose an implementation plan that can be completed before the deadline, even if that plan does not give the

desired asset management benefits. If the present focus is to simply meet the PSAB 3150 requirements, a municipality can always improve on its policies and procedures in the future to benefit from asset management strategies.

New Financial Statement Format

Starting with the 2009 audited financial statements, all municipalities are moving to a full accrual financial statement format. This change requires, along with other adjustments, the following:

- To record and disclose tangible capital assets, related accumulated amortization, and all other PSAB 3150 disclosure requirements.
- Removal of capital and reserve/reserve fund statements.
- Introduction of "accumulated surplus", which includes all reserve and reserve fund balances.
- Other changes involving statement presentation.

While the new financial statement structure is relatively standard amongst municipalities, the opportunity exists to customize the notes to the financial statements to assist in educating municipal stakeholders on the new financial state-

Municipal Services:

- > Development Charge Studies
- > Water/Wastewater Rate Studies
- > PSAB 3150 Compliance and Asset Management
- > Building and Planning Fee Studies
- > Financial Planning and Analysis
- > Developer Negotiations and Financial Agreements

Upcoming Newsletters

Not Quite PSAB 3150 Compliant?

New Financial Statement Format

Should I Change my Budgeting Format?

From PSAB 3150 to Asset Management

Ont. Water Reg. 453/07

Other Newsletters: Please contact us with your ideas.

Upcoming Newsletters

ment format, and to meet other disclosure objectives. Also, the approach to move from the old statement format to the new format should be determined well in advance of the 2009 financial statement preparation date in order to avoid implementation complications.

Should I Change my Budgeting Format?

With the change to the audited financial statements, potential changes to a municipality's budget format may also occur. Currently there is no requirement to maintain a full accrual budget, however the budget (or some modification of the budget) must be presented on each municipality's financial statements in the same format as the actual results.

Given the diversity present among municipalities (in terms of size and services provided), the optimal budgeting approach will vary depending on the

strategies and objectives being implemented. Therefore, municipalities should assess the pros and cons associated with different degrees of changes in budget format.

From PSAB 3150 to Asset Management

With the recently created asset data that each municipality has been collecting for PSAB 3150 compliance purposes, an opportunity exists to use this data to strengthen long-term forecasting and asset management plans.

By using PSAB 3150 asset data along with replacement cost estimates for each asset, the following tools could be developed/enhanced:

- Long-term capital planning;
- Lifecycle replacement reserve contributions;
- Asset funding options analysis;

- Maintenance / betterment impact analysis;
- Other useful asset management tools.

Ontario Water Regulation 453/07

For municipalities with water (and wastewater) systems, the new requirement for financial reporting under Ontario Regulation 453/07 requires a combination of asset management and PSAB 3150 related components.

These financial plans have a mandatory filing deadline of July 1, 2010, and make up one of five key requirements for obtaining a Municipal Drinking Water License. While all municipalities will be filing applications for system license approval within the next year, some have opted to file the financial plans in conjunction with licensing applications.



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Questions / Comments?

If you have any questions or comments regarding this or any Watson Newsletter, please contact us. We welcome the opportunity to discuss your specific municipality's needs.

Have a Suggestion for Additional Newsletters?

If there is a related topic you would like covered in a future Watson Newsletter, please contact one of the Watson staff members indicated below with your ideas.

Watson & Associates Economists Ltd.

Watson & Associates Economists Ltd. is a firm of economists, planners and accountants which has operated in Ontario for over 25 years. With a client base of more than 250 municipalities, utility commissions and school boards, many of which are long-term repeat clients, the firm is recognized as a leader in the municipal finance/local government field. The firm has a committed thirty person staff that has worked together for many years. The firm's principals have participated extensively as expert witnesses on municipal finance matters at the Ontario Municipal Board for 25 years.

Watson & Associates Economists Ltd. has been engaged by a number of municipalities across the province to provide water/wastewater financial planning, development charges, PSAB 3150 compliance and asset management related services. The Watson PSAB 3150 and asset management approaches have been created to assist in the development of policies and procedures that are unique to the situations in each municipality. Watson has provided PSAB 3150 related services to over 35 municipalities in Ontario, all differing in size and services provided (i.e. Municipalities, Towns, Townships, Cities, Regions, etc.). Also, the Watson approach to PSAB 3150 has been widely accepted among municipal auditors.

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