CANADIAN FINANCE MATTERS

WINTER 2011/12 | VOLUME 12, ISSUE 2

Printable PDF

Committee on Canadian Issues (CCI) Highlights

San Antonio, Texas | Saturday, May 21, 2011

Co-chairs Eric Sawyer and John Martin welcomed the committee to San Antonio for the twenty-sixth meeting since the committee's inception in San Francisco in 1998.

Congratulations to Eric Sawyer who was elected to GFOA's Executive Board at the Tuesday business meeting. Eric will continue to serve as the co-chair on the Committee on Canadian Issues for his term on the Executive Board.

GFOA President Linda Davidson and GFOA Past Presidents Len Brittain and Paul Macklem visited with the committee. Both Len Brittain and Paul Macklem commented on the worthwhile experience gained from participating as a committee member on the CCI. Linda Davidson also thanked the committee for its work. The co-chairs of the CCI, on behalf of the committee, presented Len Brittain, the GFOA's Past President, a letter of gratitude for his outstanding leadership and service on GFOA's Executive Board and on the Committee on Canadian Issues as a past co-chair.

Standards Task Force
Review and Adoption of Best Practices

An important focus of the committee is to analyze GFOA's best practices in terms of applicability for Canadian governmental entities. Diana Lokken and Trevor Bingler, the co-chairs of the Standards Task Force, led the process of analyzing GFOA's best practices. The best practices approved by the committee can be accessed in the Canadian section of GFOA's website. The committee also continues its examination of potential best practices that would only be applicable in Canada.

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EVENTS & OPPORTUNITIES

COMMITTEE ON CANADIAN ISSUES (CCI)

Members

Eric Sawyer, Co-Chair, City of Calgary, AB

John Martin, Co-Chair, City of Moncton, NB

Marlys Bilanski, City of Saskatoon, SK

Trevor Bingler, Province of Ontario, Ministry of Municipal Affairs and Housing, ON

Carl Bird, City of Yellowknife, NT

Robert Bishop, City of St. John's, NL

PSAB's Project Identification Survey

The PSAB's project identification survey was circulated to the committee. The survey included a list of potential projects for the PSAB to consider and asked respondents to identify the projects with the highest priority. The committee members also identified projects that the PSAB should not focus on, or those with a lower priority level. The committee's input for the survey was forwarded shortly after the meeting by the co-chairs to Tim Beauchamp with the CICA.

Professional Development Task Force
GFOA Training

An important objective of the committee is to increase training opportunities for Canadians attending the GFOA annual conference. The committee's Professional Development Task Force, led by co-chairs Ron Kaufman and Richard Sun, develop and coordinate a Canadian-specific session at each GFOA annual conference. The session at the conference in San Antonio in 2011 focused on two distinct topics relating to urban sprawl and the City of Vancouver's successful experience in hosting the most recent Winter Olympics. Also, a Canadian Update was made available for Canadian members who attended the conference to cover other important topics. The committee will develop a relevant and interesting topic for the Canadian-specific session and the Canadian Update at the next GFOA conference in Chicago in June of 2012, and recruit speakers and moderators for the other GFOA conference sessions.

Ken Bjorgaard, District of Mission, BC

Betty Holsten Boyer, City of Winnipeg, MB

Marion Brass-Yellowfly, Siksika Nation, AB

Catherine Brubacher, City of Brantford, ON

Teresa Florizone, City of Regina, SK

Bruce Fisher, Halifax Regional Municipality, NS

Edward Hankins, Regional Municipality of York, ON

Ronald Kaufman, Town of Caledon, ON

Greg Kliparchuk, City of Edmonton, AB

Esther Lee, City of Vancouver, BC

Diana Lokken, Capital Regional District, BC

Lorna Rosen, City of Edmonton, AB

Denis Savard, City of Montreal, QC

Dean Screpnek, City of Edmonton, AB

Richard Sun, Town of Hampstead, QC

GFOA Staff Members

Stephen Gauthier, Jim Phillips

The committee is working on increasing the number of Canadian reviewers who participate in the various GFOA awards programs. John Martin updated the committee on the benefits of having his staff member participate as a reviewer in the Canadian Award for Financial Reporting Program.

Advocacy & Communications Task Force
GFOA Canadian Newsletter

Another major focus of the committee is the GFOA Canadian newsletter, *Canadian Finance Matters*, which is circulated biannually to all of GFOA's Canadian members electronically and can also be accessed in the Canadian section of GFOA's website. The Advocacy & Communications Task Force, led by co-chairs Esther Lee and Ed Hankins, coordinate the production of the Canadian newsletter. The committee will continue to examine maximizing the benefits of the newsletter for the reader and how to increase the distribution levels.

Another focus of the task force is to further enhance the strong linkages with the provincial associations in Canada. Many of the committee members have important roles with the provincial associations.

Other Business

The committee welcomes the following new five committee members: Marlys Bilanski, General

Manager, Corporate Services, City of Saskatoon; Catherine Brubacher, City Treasurer, City of Brantford; Teresa Florizone, Controller, City of Regina; Bruce Fisher, Manager, Financial Policy and Planning, Halifax Regional Municipality; and Lorna Rosen, Chief Financial Officer and Treasurer, City of Edmonton.

The committee approved the descriptions incorporated by Mark Gilbert for the top ten list of significant issues facing Canadian finance municipal officers.

The committee thanked Mark Gilbert, Lori Craig and Kerry Tarasoff for their outstanding work on the CCI. The final term of these three members concluded at the end of 2011.

Adjournment

There being no further business before the committee, the meeting was adjourned. The next CCI winter meeting is scheduled to take place in Yellowknife on February 3rd and 4th.

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Highlighted Best Practice

A section of the GFOA website is dedicated to GFOA's best practices that are applicable in Canada. One of the best practices that the Committee on Canadian Issues would like to highlight is the Governmental Accounting, Auditing and Financial Reporting Practices. This best practice provides important guidelines for a government to fulfill its financial reporting responsibilities.

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The Future of the Canadian Government Finance Officer

Len Brittain, Director of Corporate Finance, City of Toronto; Immediate Past-President, GFOA; lbrittai@toronto.ca

What does the future hold for government finance officers in Canada? Being GFOA President has given me a unique opportunity to "step to the balcony" and view our profession from a North American and international perspective.

What I have seen confirms my belief that Canadian finance officers are not only well equipped now, but are intent on gaining the necessary new skills and tools to keep themselves at the top of their game for the future. This is occurring in an environment of emerging challenges and an evolving role for the profession.

What are those challenges and how are we coping?

First, public expectations have never been higher and these are not abating. The demands for quick responses, greater disclosure of information, and informed policy decisions are growing. At the same time, scrutiny from the media and various organizations continues to increase. News items are often sensationalized and occasionally based on personal bias rather than facts or are, even worse, intentionally misleading. A case in point is the growing criticism of government spending, public pensions and the cost of public sector salaries. There have been numerous articles that seem to take it on faith that public sector salaries in all positions are higher than the private sector, and that spending is rising for no appreciable reason.

As I outlined in my address to delegates at the GFOA annual conference last May, it is incumbent on all government finance officers to arm themselves with the facts to push back against the threat of misinformation. We must use whatever tools we have to make evidence-based decisions grounded in sound public policy, not inflated rhetoric.

Second, ongoing fiscal challenges demand that we continue to do more with less. Extraordinary cost pressures, aging infrastructure and taxpayer fatigue are coupled with weakening prospects for financial solutions from senior governments dealing with their own revenue problems. Many organizations took short term approaches to solve their immediate budget needs, assuming that the pressures would be short lived. Now that it is clear we are in a more sustained period of retrenchment, it is more important than ever to take a long term perspective. Finance officers are increasingly looking to the future to help plot the course forward for sustainable governments.

From a staff resource standpoint, what has been described as a coming retirement tsunami means that many jurisdictions will see significant departures from all positions over just a few years. Competition between employers will intensify as organizations seek to attract qualified new employees from a smaller candidate pool. Inadequately prepared organizations will find themselves well back of those that have formally put their minds to the demographic reality. It is the responsibility of all finance professionals to ensure that their organizations are ready, through carefully established succession plans and clearly thought out approaches to developing future finance leaders.

Finally, new responsibilities are becoming entrenched as part of the necessary skill sets for the new finance officer. Areas that traditionally were considered the domain of the private sector are now becoming a core part of our profession—from communications ("marketing"), information technology and customer service to benchmarking and economic development ("growing the business"). Much of the work of the GFOA is focussed on enhancing skills in these areas.

These challenges provide new opportunities for us to make our mark on our profession. I am pleased that my year as President gave me the reassurance that Canadian government finance officers are up to the task and are taking the necessary steps to be ready for the coming changes.

I hope to see you at the GFOA annual conference in Chicago in June 2012 so that we can continue to prepare ourselves for the future.

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Emerging PSAB Issues for Canadian Municipalities

Bailey Church, CA, CIA; Senior Manager, KPMG's Public Sector Practice; co-leader, KPMG's Public Sector Accounting Advisory Service nationally; bchurch@kpmg.ca

Governments and government organizations reporting under, or transitioning to, Canadian Public Sector Accounting standards ("the PSA standards") are in the midst of a period of substantial change in certain key Handbook sections that could have a significant impact on their financial reporting.

This article discusses two sections in particular which have been introduced by the Public Sector Accounting Board within the past year:

- **Government Transfers** (PS3410), will apply to fiscal periods beginning on or after April 1, 2012; and
- **Contaminated Sites** (PS3260), will apply to fiscal years beginning on or after April 1, 2014.

For each of these sections, earlier adoption is encouraged.

With some forethought and advanced planning, governments and government organizations can be well positioned to respond to these sections. With this goal in mind, this article gives an executive summary of the key aspects of each of these sections, and offers some practical implementation tips based upon the experiences of governments and government organizations who have commenced implementation of these sections.

The executive summary offered below is not intended to be a complete recount of the terms of each section. Governments and government organizations are encouraged to reference the CICA Public Sector Accounting standards for the full text of each of these sections. The implementation tips provided are also not intended to be a substitute for discussion and planning with external auditors. Their early engagement is a key success factor to effective implementation of each section.

Government Transfers

Summary

Section PS3410 will apply to all levels of government, including government organizations that base their accounting policies on the CICA Public Sector Accounting Handbook. PS3410 will not apply to government not-for-profit organizations who are electing to apply the public sector standards including the optional 4200 series, as they will continue to account for contributions received based upon the 4200 not-for-profit series.

For purposes of PS3410, a transfer is defined as the transfer of monetary assets or tangible capital assets from a government to an individual, an organization or another government for which the government making the transfer does not:

- Receive anything in return (not a purchase or sale transaction)
- Expect to be repaid (a transfer is not in substance a loan)
- Expect a return (a transfer is not in substance an investment)

PS3410 establishes recognition criteria to be applied by the transferring and recipient governments based upon the terms of the transfer, with specific consideration given to the authorization of the transfer, and eligibility criteria and stipulations attached to the transfer. PS3410.08 distinguishes between these two terms: "*Eligibility criteria describe who a recipient must be or what it must do in order to be able to get a government transfer. Stipulations describe how a recipient must use transferred resources or the actions it must perform in order to keep the transfer.*"

The accounting for government transfers under PS3410 can be summarized at a high level as follows:

	Section 3410—Government Transfers
Transferor	Recognize expense when authorized and eligibility criteria, if any, have been met by the recipient.
Recipient: –Operating	Revenue recognized in the period the transfer is authorized and eligibility criteria, if any, have been met by the recipient, except when and to the extent that the transfer gives rise to a liability under PS3200 through transferor imposed stipulations.
Recipient: –Capital	Revenue recognized in the period transfer is authorized and eligibility criteria, if any, have been met by the recipient, except when and to the extent

	that the transfer gives rise to a liability under PS3200 through transferor imposed stipulations.
Capital: Recognition in revenue	Recognize in revenue when, and in proportion to how, the liability is settled.

PS3410 does not require symmetrical accounting by the transferor and recipient of a government transfer. In other words, application of the standards may not result in the transferor recognizing an expense in the same fiscal period that the revenue is recognized by the recipient. Rather, the focus is on the economic substance of the transaction in determining how it is accounted for by the transferor and the recipient. Whether a transfer is capital or operating in nature does not, by itself, determine the accounting for the transfer. The focus remains on the economic substance of the transfer. Appendix A to PS3410 provides an illustrative decision tree for transferor and recipient accounting which highlights key decision points in accounting for a transfer.

In considering the economic substance of a transfer, recipients must examine whether the stipulations associated with the transfer, taken together with their actions and communications before the financial statement date, create a liability. Are the recipient's actions and communications consistent with the substance and intent of the transfer stipulations? To illustrate, assume a municipality receives a general operating transfer which does not have any stipulations present on its use. In and of itself, such a transfer would not create a liability for the municipality, and would typically be recognized as revenue in the period the transfer was authorized, and the eligibility criteria met by the municipality. Now assume that the mayor of the municipality announces to a press conference before the financial statement date that the transfer funds will be used to build a sports arena. The mayor undertakes an aggressive advertising campaign in local newspapers announcing the new arena, and unveiling its design. In this case, the actions of the mayor may be considered to create a constructive obligation for the municipality with respect to how it uses the transfer funds. The municipality has created a valid expectation among others and, as a result, has no realistic alternative but to settle its obligation. Though the transfer itself had no stipulations, the municipality's actions create a liability. The transfer funds related to the construction of the sports arena would be set up as a liability of the municipality, and recognized as revenue in proportion to how the liability is settled.

Transfers deferred by recipients under PS3410 must be demonstrated to give rise to a liability under PS3200 through transferor imposed stipulations. PS3200, Liabilities, defines the essential characteristics of a liability as follows in PS3200.05:

"*Liabilities are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. Liabilities have three essential characteristics:*

(a) they embody a duty or responsibility to others, leaving a government little or no discretion to avoid settlement of the obligation;

(b) the duty or responsibility to others entails settlement by future transfer or use of assets, provision of goods or services, or other form of economic settlement at a specified or determinable date, on occurrence of a specified event, or on demand; and

(c) the transactions or events obligating the government have already occurred."

Where a liability is determined to exist, revenue is recognized when, and in proportion to how, the liability is settled by the government or government organization.

Implementation tips

Since this section is effective for fiscal years beginning on or after April 1, 2012, governments and government organizations should begin looking at this section now as the number of individual transactions with different agreements to be considered could be significant. Earlier adoption is also encouraged, and the section may be applied retroactively or prospectively. Retroactive application will require additional work by the entity, since transfers received in previous fiscal years will need to be analyzed against the criteria established in PS3410, with a focus on eligibility criteria and transferor stipulations.

Governments and government organizations should start by gaining a full understanding of the characteristics of transfers they make to others, and transfers they receive. If an entity is making transfer payments to others which meet the definition of a transfer under PS3410, it must consider, at what point is the transfer authorized? How is recipient eligibility for the transfer determined? Is eligibility assessed upfront before the transfer payments are made, or is eligibility assessed at various points during the transfer period? The answers to these questions are key to determining when the expense for the transfer should be recognized. Similarly, for recipients, when is the transfer authorized, and how is eligibility determined? Are there stipulations attached to the transfer which specify the manner in which these funds must be used? If so, do the stipulations create a liability for the entity? This analysis should be thoroughly documented to provide a good basis for discussion with the external auditors, ensure consistency in application of the standards similar situations, and provide supporting evidence for how transfers are accounted for under PS3410.

Governments and government organizations should be looking to engage their auditors very early in discussions about the impact of this section on how they account for transfers. There are a number of areas of significant professional judgment which require proactive discussion with the auditors—for example, are there stipulations associated with the transfer, and do they meet the definition of a liability? Stipulations also need to be considered in combination with the actions and communication of the recipient to assess, in combination, if they create a liability. There is no standard answer to these questions—slight differences in the terms and conditions of transfer agreements could result in different accounting treatments.

Contaminated Sites

Summary

Section PS3260, Liability for Contaminated Sites applies to all governments and government organizations that base their accounting policies on the CICA Public Sector Accounting Handbook. This section provides guidance on applying the existing definition of a liability in the CICA Public Sector Accounting Handbook to the specific context of contaminated sites—PS3260 does not change the fundamental definition of a liability. This section specifically excludes any liabilities with respect to solid waste landfill closure and post-closure liability, as the guidance for liabilities for landfill are included in PS3270.

PS3260 specifies the criteria which must be met for a liability for a contaminated site to be recognized. Appendix A to PS3260 provides a decision tree to illustrate the accounting treatment specified in this section. Specifically, a liability for remediation of contaminated sites should be recognized when, **as at the financial reporting date**, all of the following are met (text in italics added for interpretation and analysis):

(a) An environmental standard exists *(most commonly through enacted federal, provincial or local legislation, applicable bylaws, permits, or conditions specified in contracts and agreements)*;

(b) Contamination exceeds the environmental standard;

(c) The government:

i. Is directly responsible *(based on a legal obligation to perform the remediation from agreements or contracts, legislation of another government, or the government's own legislation)*; or
ii. Accepts responsibility *(typically based upon a voluntary assumption of responsibility based on the government's own actions or promises, provided these create an obligation meeting the definition of a liability)*;

(d) It is expected that future economic benefits will be given up *(in other words, the government or government organization actually expects to expend their own resources to clean up the contaminated site)*; and

(e) A reasonable estimate of the amount can be made.

It is important to emphasize that the existence of an environmental standard in and of itself is not the obligating event that creates a liability. The existence of contamination that exceeds an environmental standard at the financial reporting date is a necessary condition for recognition of a liability. To illustrate, the presence of certain levels of contaminants in a municipality's drinking water may not necessarily result in a liability under PS3260. The levels of contaminants must be in excess of applicable environmental standards related to the drinking water to potentially trigger a liability. Further, there must be a present obligation to remediate the contamination now or at some future date, the government or government organization must have direct or accepted responsibility for the remediation, and it must be expected that future economic benefits will be given up.

The estimate of a liability should include those costs directly attributable to remediation activities, based on information available at the financial statement date. The estimated costs would include post-remediation operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. Costs of assets acquired as part of remediation activities to the extent those assets have no alternative use should also be factored into the costs.

Directly attributable costs would include, but not be limited to, payroll and benefits, equipment and facilities, materials, and legal and other professional services related to the remediation of the contaminated site. Estimated costs would be those required to bring a site up to the current minimum standard for its use prior to contamination.

The carrying amount of a liability for remediation should be reviewed at each financial reporting date. Any revisions to the amount previously recognized should be accounted for in the period in which revisions are made.

Implementation tips

Though the effective date for the standard is not until fiscal periods beginning on or after April 1, 2014, governments and government organizations should begin looking at this section now given the significant professional judgment involved, and the difficulty of actually measuring any resulting liability. Entities should be looking to engage their auditors very early in discussions about whether or not they have liabilities to recognize under this section. Entities should also consider the need for the involvement of specialists, such as environmental engineers, to help assess the existing level of site contamination, and possible remediation costs.

As they are going through the assessment process of sites where possible contamination may exist, entities should ensure that appropriate supporting documentation is retained with respect to professional judgment applied. For example, to demonstrate that contamination exists which exceeds the environmental standard, entities should have an environmental assessment to measure the existing level of contamination at a site. This environmental assessment, by a properly qualified expert such as an environmental engineer, is necessary to establish the level of contamination relative to the environmental standard.

Entities should also be prepared to address the difficult question of completeness—in other words, how can they demonstrate that they have accounted for all contaminated sites where they are either directly responsible, or have accepted responsibility, for the remediation? In a perfect world, entities could present a comprehensive inventory of all their sites, with an assessment of their extent of contamination (if any) relative to applicable environmental standards. This may not be practical though for many entities to develop. At a minimum, such a listing should be compiled for all sites with known contamination, or a risk of contamination.

Appropriate documentation will also be required to support the estimated cost of remediation. Directly attributable and estimable costs should be documented in appropriate detail to enable the entity and its external auditors to assess the components of the liability established. Similarly, third-party evidence of the amounts of the estimated costs should be retained, such as estimated remediation costs as detailed in the environmental engineer’s site assessment. Significant professional judgment is required to determine the amount of the liabilities actually recorded—it is essential that entities be consistent in how they apply this professional judgment across their sites.

Conclusion

While these two new sections will have a significant impact on the financial reporting of governments and government organizations reporting under Canadian Public Sector Accounting standards, the process for applying these sections is an achievable and realistic one. The key to success is to commence work now to assess the impact of these sections on the entity’s financial reporting, and to effectively engage the external auditors. Entities should communicate with their senior management and audit committee throughout the process. They should be proactively informed of the potential impact of PS3410, Government Transfers, and PS3260, Contaminated Sites, on the entity’s financial reporting, and the action plan put in place to address the requirements of each section. This effective stakeholder engagement will minimize unnecessary surprises for the first fiscal year when these sections are implemented, and enhance understanding of the entity’s financial results. Now that’s value added!

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Management Discussion and Analysis—We can do better

Bill Cox, CA, Partner, BDO Canada LLP; BCox@bdo.ca

Management Discussion and Analysis (MD&A) has always been an important area. MD&A allows management to explain financial results and financial position with greater detail than can be done in the financial statements. It also allows for explanation of important issues that the government will be facing along with the planned strategies that government has for dealing with such issues.

Changes in direction that accounting standards setters are taking will serve to amplify the importance of good MD&A. As a general rule, all standards setters (including the Public Sector Accounting Board (PSAB) in Canada and the International Accounting Standards Board (purveyors of IFRS)), have moved the accounting frameworks away from the concepts of conservatism and the matching principle. The result of these changes will be increased volatility in operating results. There will be greater differences from budget because of the need to use the best point in time estimates. There will be greater volatility between years as the demise of the matching principle means that years with government capital grants or developer contributed assets, for example, will show significant surpluses whereas years without such items could be in loss positions due to the impact of amortization expense. Such volatility requires accompanying MD&A if the reader is going to properly understand the financial statements.

Although there are many excellent exceptions, it seems that most governments are locked into an "old school" approach when preparing MD&A to accompany the financial statements. The "old school" approach tends to have the following deficiencies:

- too much focus on budget/actual comparisons for the year
- focus on fund information rather than high level and important information
- not enough discussion of financial position and analysis
- limited or no forward-looking information
- limited or no discussion of risk factors and strategy for dealing with risks
- tendency to quote numbers from financial statements without explanation or context

Standards setters, and others, have produced guidelines and recommendations that are useful starting points if you are looking to upgrade your MD&A. Some of the best documents to review include:

- the IFRS publication "Management Commentary"
- the Canadian Performance Board publication "Management's Discussion and Analysis"
- the PSAB Statement of Recommended Practice ("SORP") "Financial Statement Discussion and Analysis" *[No link provided – available to subscribers of the online CICA Standards and Guidance Collection]*
- the CICA publication "20 Questions Directors Should Ask About Management's Discussion and Analysis"

Another useful document is "Performance Reporting Principles For the British Columbia Public Sector", which can be found on the Office of the Auditor General of BC's web site. This document provides a self-assessment checklist as well as links to good quality reports and can be particularly beneficial for a first-time MD&A writer.

Understandable MD&A requires both a narrative component as well as charts, graphs and diagrams. Ideally, the visual elements should clearly show a trend and narrative comment should explain what this trend means, how it is expected to change in future, and what management's response to this trend has been. For example, the PSAB FSD&A SORP suggests the following in regard to tangible capital asset discussion: analysis of tangible capital assets, explanation of changes in levels of tangible capital assets, analysis of required maintenance, age of tangible capital assets and other related information. This could be accomplished by presenting several graphs together on one page that show the following 10-year historical information: levels of capital expenditures, levels of infrastructure maintenance expenditures, levels of available capital reserves, amounts transferred to and from capital reserves, depreciated levels of tangible capital assets and age of tangible capital assets by type. Narrative discussion would be added to the page to explain what the trends are showing (for example, aging assets coupled with declining reserve levels would suggest discussion of infrastructure risks and planned timetable and potential revenue sources for replacement).

Most governments are already presenting at least some information in regard to financial performance and, to a lesser degree, financial position. However, few are preparing forward-looking information or discussion of risks. These two areas are the areas that require the most improvement.

Forward-looking information should be provided based on areas of importance in a government's plans and strategies. This could include a multitude of different areas but the following might be applicable for many governments:

- capital needs and infrastructure replacement
- projected tax increases
- forecasting of demographic changes and the impact these will have on the community
- forecasting of development and the impact this will have on the community

Risk factors should be identified as those that could create volatility in financial results. This includes not just legal and environmental liabilities but also items such as:

- impairment of assets or replacement of assets
- concentrations or dependence on source of revenue (e.g. a one-industry town)
- interest rates and treasury management issues
- staffing issues and impacts from staff retirements
- further downloading from senior governments

Risks would be identified and categorized with discussion provided of how management's strategies will deal with such risks.

Many readers are likely to question the value of expending further effort and resources in development of improved MD&A. Although all would agree that improving openness and understanding of government operations is a good thing, many will note that there is limited readership of existing MD&A and Annual Reports in general. This current lack of readership is at least partially due to two factors: the lack of understandability of much present information, and the fact that most MD&A information is available only in paper format or, at best, in a PDF of the paper format on the government's web site.

Taxpayers have become used to obtaining information online. Further, the lack of restrictions on the format of presentation online allows for presentation of ideas and concepts that could never be explained well using just paper. Governments should expand their online presentation of information to use the full suite of tools available. Instead of a static PDF document, consider interactive elements such as charts and diagrams that can be adjusted by the reader through a few mouse clicks to show impacts of changes in assumptions. Consider also multi-level charts and graphs that allow the reader to drill down into lower order information in areas of their interest. The online possibilities are almost limitless, and creativity in this area can help attract more interest from taxpayers while also allowing you to educate the public and have the important concepts and strategies well understood.

It is a difficult time in history for governments: poor world economies create financial uncertainty and a pressure to limit tax increases, while at the same time there is a need to deal with infrastructure replacement issues and senior government downloading impacts. Improving the understanding of taxpayers will be necessary in order to get their buy-in for future plans. Good MD&A can be an important part of this process.

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Asset Management in British Columbia

Andy Wardell, CGA, MA; Manager, Financial Services, District of North Vancouver; GFOABC Representative and Vice Chair, Asset Management BC; WardellA@dnv.org

Asset Management is alive and well in British Columbia!

In 2011 Asset Management BC (AMBC) continued to leverage the work done with the four BC municipalities that tested the AMBC Roadmap. That work led to partnering with the Saskatchewan Urban Municipalities Association (SUMA) and together we brought Australia's National Asset Management Strategy (NAMS) to Canada.

NAMS was developed by Institute of Public Works Engineering Australia and is a scalable process that empowers municipalities, develops asset management plans and facilitates their integration with long term financial plans. It is a municipally driven approach to asset management planning and supports better long term financial planning through a program of training and support using a suite of tools and templates. NAMS is also based on requirements outlined in the International Infrastructure Management Manual.

For the first time, four BC and four Saskatchewan municipalities have interdisciplinary teams trained in a single asset management planning process that includes elected officials, senior administrators, operations and finance professionals; each municipality now has an asset management plan for one of its major asset groups. These asset plans are based on PSAB 3150 inventories augmented with replacement values. The plans provide a minimum of a ten year view of the financial plan requirements from an asset life cycle perspective, asset condition, risk management modelling and the ability to adjust these plans iteratively in the interests of balancing infrastructure and financial sustainability.

The key messages are:

- Sustainability of services must be a key objective. This involves stewardship, asset management and long term financial plans.
- The link between levels of service and price must be made.
- Infrastructure is the foundation of the economy of our communities and must be financially sustainable.
- PSAB 3150 inventories lay the foundation for asset management plans.
- Asset management plans feed the long term financial plan.
- Interdisciplinary teams and working together are key to success.

The results of this work were presented at an AMBC workshop in Kelowna on October 18th and at a SUMA workshop on October 19th and 20th. Each participating municipality continues to work on its asset management plan, and in both BC and Saskatchewan we soon hope to have these available to share with other municipalities. Additional communities in Saskatchewan are receiving training at the end of November. It is expected additional training will be available to BC communities in May 2012. The Saskatchewan Tangible Capital Asset website best profiles the work done to date:

- The Saskatchewan experience with NAMS (NAMS 2011 Asset Management Pilot Project)
- The Australian story and NAMS as told by Chris Champion, CEO of the Institute of Public Works Engineering Australia (Asset Management Drivers In Australia)

From the perspective of shared vision, the GFOABC and AMBC are working to bring robust asset management plans into long term financial planning. Concurrently the GFOABC has started a program on Long Term Financial Planning with the goal of charting the way to financial sustainability. By integrating strategic planning, asset management plans and budgeting in a simple manner, the long term financial plan can garner elected official and public support in building a financially healthy organization.

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Diversion of Waste

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Organic materials received at a typical municipal solid waste landfill include wood waste, yard waste and food waste. Approximately 50% of residential waste collected at the curb is organic in nature —typically food waste scraps but also food-contaminated cardboard, napkins, paper towels, etc. Organic material degrades in the landfill in the absence of oxygen to produce methane and other gases. Methane is a greenhouse gas that is approximately 21 times as potent as carbon dioxide which is generated by burning fossil fuels and is also a bi-product of composting. A comprehensive study to determine the true cost of managing organics was recently commissioned by the Region of Niagara. The study undertook a full-cost accounting review of region-wide composting of food waste and leaf-and-yard waste, versus other waste management options, such as landfill and waste-to-energy (WTE). The study determined that the true cost of composting was far less costly than other disposal options.

The District of Mission (District) has been diverting yard waste and food waste for many years. Food waste, however, was not effectively being diverted as the District was not in a position to aggressively promote diversion of food waste because the receiving compost facility in a neighbouring community was not able to actively receive large amounts of food waste. In June 2011, every residence within the curbside collection area was provided with a 48 litre food waste bin that was of durable construction, had a secure locking lid and was designed to be easy to keep clean. At the same time, a private company was retained to start processing compost at the District-owned landfill site. This has resulted in current savings in terms of transport costs to the previous composting company and is expected to result in future savings in terms of curbside collection, as all trucks collecting organics, recycling and garbage can now go to one location. The results to date are impressive, with approximately 50% of the food waste being diverted from the landfill. It is hoped that, with continued education and incentives, the amount of food waste within the curbside garbage that is buried at the landfill will be negligible. This strategy also allows staff to begin working with local businesses to provide them with the ability to reduce their garbage disposal costs by diverting organic materials.

The District has also instituted wood waste diversion at its landfill. Clean wood waste can also be composted while wood waste from plywood, painted wood, etc. (contaminated wood waste) can be chipped and mixed with soil to reduce the amount of clean gravel required to cover garbage. It is likely that a market will be identified shortly to accept some of the contaminated wood waste for bioenergy production. Wood waste can account for as much as 40% of a landfill's total tonnage. Simply grinding the wood can reduce the volume of required landfill air space by 40% without any diversion of the material.

A recent business case evaluating the impact of Mission's organics diversion program on landfill life expectancy shows that the life of the landfill has been extended by 15 years. The District receives some of the finished compost free of charge which it will use for landscaping purposes throughout the District's parks and to provide residents free compost at various times of the year to promote environmental awareness. The business case also determined that, by diverting organics, the District will remain below the regulatory limit for methane emissions, thereby averting the requirement to install an expensive landfill gas collection system. By remaining below the regulatory limit, the District would be able to sell any carbon credits associated with landfill gas collection for a much longer time if the installation of a gas collection made economic sense. Given that the Mission area receives close to 2 meters of rainfall every year, landfill leachate generation and treatment is a significant issue that must be managed. Degrading organics in a landfill are responsible for increasing the toxicity of leachate. It is hoped that by diverting a significant portion of the organics, leachate treatment will become easier over time.

A proposed change to the District's subdivision control bylaw will require all new urban developments to apply 30cm of amended soil (mix of sand and compost) to lots. This is widely recognized as an important measure to reduce storm water generation, reduce irrigation requirements and reduce the need for fertilizers and herbicides. The need for amended soils has the important benefit of generating an additional market for finished compost. Mission's food waste bin was branded as the "Rot-Pot", which has turned out to be an important component of residents' recognition of the program. Residents have let staff know that they have now become more aware of how much food is wasted, and better meal planning has been one of the unexpected benefits of the program.

From storm water control, to better meal planning, to improved landfill leachate quality to extended landfill life, the environmental benefits of a comprehensive organics diversion program are obvious. Recognizing and accounting for the many economic benefits may allow your municipality to save green on two accounts.

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Western Canada GFOA Conference Sets a New High in Banff

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Banff is such a great place to hold a conference. As we approached the Rockies, the clean crisp air and spectacular scenery seemed to awaken our brains and somehow we were ready to expand our minds and take in new ideas. The historic CP hotel provided a solid yet elegant setting for us to settle in for three days of being inspired, educated and entertained.

The Alberta GFOA had cancelled their spring conference and so this was really a joint Western Canada/Alberta conference. The flavour of Albertan hospitality permeated the whole event from the golf tournament on the magnificent Hot Springs course, through the hips of beef served at the Tuesday evening reception to the lavish spread at the Gala dinner.

The theme of the conference held September 14-16, 2011, was “Sustainability: new heights on a rock solid foundation”, and the local committee did an excellent job putting together a program that included inspirational speakers, current issues, best practice examples and enlightening discussion.

We opened on Wednesday morning with keynote speaker Carla Rieger who spoke on the “Artistry of Change” and inspired us to enjoy the roller coaster of life in local government. The day continued with sessions on What's New in Accounting and Auditing Standards, Conflict Management, Social Media, Infrastructure Sustainability, Caseware, Winter Olympic Games, Payments Strategy, Not for Profit Organizations and Time Management.

After a free evening to explore the town, delegates started Thursday morning with an address from His Worship Mayor Van Tighem, Mayor of Yellowknife, on Sustainability and Smart Growth. The day proceeded with sessions on Tying Your Budget to Your Strategic Plan, The Professional Accountants Role in Sustainability, P3's, Small Municipalities Forum, Fiscal Challenges, Building a Sustainable Team.

We were treated to an amazing Gala Dinner in the evening with hilarious entertainment from the “Duelling Pianos”.

The conference wrapped up on Friday with an Economic Update, Sustainable Buildings and Hal Urban’s views on Good Character and Local Government.

We returned home having been educated, entertained and with a solid foundation on which to soar to new heights.

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Save on GFOA’s annual conference if you register today

If you’re not yet signed up to attend GFOA’s 106th Annual Conference, June 10-13, 2012, at McCormick

Place West in Chicago, Illinois, and register today (January 31, 2012), you'll be able to take advantage of the early registration fee. Check out this year's concurrent sessions on GFOA's Annual Conference page.

As part of the conference, once again a Canadian-specific session will be held that will focus on one of the key topics currently impacting Canadian government finance officers. A Canadian Discussion Group will also meet to provide delegates the opportunity to share information and concerns with members of GFOA's Standing Committee on Canadian Issues.

Earn additional CPE credits by signing up for GFOA's preconference seminars on Friday and Saturday before this year's conference at the McCormick Place West.

Visit www.gfoa.org to register today! Questions? E-mail conference@gfoa.org.

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Prepare high quality financial reports with GFOA's Canadian Award for Financial Reporting Awards Program

GFOA's Canadian Award for Excellence in Financial Reporting Program (CAnFR Program) encourages and assists Canadian local governments to go beyond the minimum requirements of generally accepted accounting principles, as set by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure. The program then recognizes individual governments that succeed in achieving that goal.

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Scholarships

The GFOA currently offers three scholarships annually to students enrolled in full-time courses of study preparing for careers in state and local government, and one scholarship annually to an employee of a state or local government enrolled in part-time graduate study preparing for a career in state and local government finance. For more information about these scholarships, please visit GFOA's Scholarship Page. Please note, applications must be postmarked by **February 24, 2012**, to be considered, and recipients of the scholarships will be announced on April 27.

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