

1 - Email - January 19 2017 - RE_ Canadian PSAS Handbook online_.pdf

From: [Ovenden, Erin \(TBS\)](#)
To: [Tam, Nelson \(TBS\)](#)
Cc: [Sullivan, Bryant \(TBS\)](#)
Subject: RE: Canadian PSAS Handbook online?
Date: January-19-17 1:12:20 PM

Hi Nelson-

Nadine and Bryant agree we should use the footnote that the Panel provides us. If we're concerned with wording, I would recommend the Panel contact CPA via permissions@cpacanada.ca and ask what wording should be used.

Thanks,

Erin Ovenden

Senior Communications Consultant

Communications Branch | Treasury Board Secretariat
77 Wellesley Street West, Ferguson Block
Toronto, ON M7A 1N3
Tel: 416-326-7727

From: Tam, Nelson (TBS)
Sent: January-18-17 9:28 AM
To: Ovenden, Erin (TBS)
Subject: RE: Canadian PSAS Handbook online?

Erin

Below is the footnote for Appendix B. The key as per the link below is that CPA Canada is referenced and we should be okay.

Any adjustment to the wording is appreciated. The bracket item will disappear.

All materials from the CPA Canada Public Sector Accounting Handbook are copyright to CPA Canada [ensure appropriate reference regarding CPA Canada copyright is made].

I am at Minister and Premier meeting now.

Thanks

Nelson
X20514

From: Tam, Nelson (TBS)
Sent: January-17-17 3:44 PM
To: Ovenden, Erin (TBS)
Subject: RE: Canadian PSAS Handbook online?

Erin

I asked the Chair and the report writer on their view. The report writer asked the Chair to reach out to CPA Canada to find out through her connections to try to resolve this issue. The report writer referenced this link - <https://www.cpacanada.ca/en/copyright>. It appears we can use based on the first bullet.

Thanks

Nelson
X20514

From: Ovenden, Erin (TBS)
Sent: January-17-17 3:16 PM
To: Tam, Nelson (TBS)
Subject: RE: Canadian PSAS Handbook online?

Hi Nelson-

I did some research and contacted CPA. The PSAS are subject to copyright. This means we can't publish them without CPA Canada's consent. Bryant and Nadine are going to figure out the best way to move forward and let us know. Stay tuned.

Erin Ovenden

Senior Communications Consultant

Communications Branch | Treasury Board Secretariat
77 Wellesley Street West, Ferguson Block
Toronto, ON M7A 1N3
Tel: 416-326-7727

From: Tam, Nelson (TBS)
Sent: January-17-17 11:40 AM
To: Ovenden, Erin (TBS)
Subject: RE: Canadian PSAS Handbook online?

Erin

Appendix B will be included. You can create a profile to log in and pay a fee to get the HB online. Also, anyone can purchase a copy of the HB as well. If you are a CPA, then it comes with the membership fees. Not an issue in having it included as anyone can get a copy for a cost.

I re-created Appendix B in French with a couple of places where translation is needed and I have identified. I will be providing the full referenced English and French version of the various sections quoted to the translator and a couple of other documents referenced in the report where I can find the French version.

When we are ready to translate, we should meet for 15 or 30 minutes and can go over what I have done and transfer the relevant information to you to provide the translator. I don't know if you actually meet with the translator and if you do, it might

be helpful to provide what I have done directly.

Thanks

Nelson
X20514

From: Ovenden, Erin (TBS)
Sent: January-17-17 11:30 AM
To: Tam, Nelson (TBS)
Subject: Canadian PSAS Handbook online?

Hi Nelson-

Sounds like this morning went well. I'm doing some digging to help with production. Hope you can answer the following questions:

- Are we posting Appendix B?
- Are the Canadian Public Sector Accounting Standards available online? I can't find them anywhere.
- If not, are we allowed to post them per Appendix B?

Erin Ovenden

Senior Communications Consultant

Communications Branch | Treasury Board Secretariat

77 Wellesley Street West, Ferguson Block

Toronto, ON M7A 1N3

Tel: 416-326-7727

2 - CPA Copyright.doc

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2 - Email - January 19 2017 - RE_ Expert Panel - Copyright Issue.pdf

From: [Kaufman, Paul \(TBS\)](#)
To: [Tam, Nelson \(TBS\)](#)
Cc: [Hatzis, Len \(TBS\)](#); [Duffy, Stephen \(TBS\)](#)
Subject: RE: Expert Panel - Copyright Issue
Date: January-19-17 11:52:28 AM

Nelson, thanks for that (I assume it is extracted from the handbook that the panel will be quoting from).

Based on the licence terms in the extract that you provided, the zero-risk course of action would be to ask the CPA group for permission to reproduce the extracts that will be copied in the panel's report (noting for the CPA group that the government intends to publish the panel's report).

If you don't do that, it would still be fairly low-risk in my view to include extracts from the handbook in the panel's report (and for the government to subsequently publish that report), provided that

- (a) The passages being quoted from the handbook are minimal and selective (i.e. you aren't copying whole pages/chapters, or other large amounts of material). It would be problematic if such a significant amount of material was being reproduced that someone could find a copy of the report in the public domain and use the quoted CPA source material instead of buying the material from the CPA group itself (there is a general exception to the default copyright rules in the federal *Copyright Act* that allows for this kind of limited non-commercial use of copyrighted information); and
- (b) The panel attributes the quotes from the handbook to CPA Canada. I think that the text that the report writer proposed is a good start, but it looks like CPA uses 2017 as the copyright year for the handbook. I would also spell out "Chartered Professional Accountants of Canada" in the footnote and use an *ibid* cite for each quote from the handbook.

Thanks,

Paul

Paul Kaufman
Counsel

Ministry of the Attorney General | Legal Services Branch | Treasury Board Secretariat
9th Floor, 77 Wellesley Street West, Ferguson Block, Toronto, ON M7A 1N3
Phone: 416-327-7012 Fax: 416-325-9404

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From: Tam, Nelson (TBS)
Sent: January-19-17 11:07 AM
To: Kaufman, Paul (TBS)
Cc: Hatzis, Len (TBS)

Subject: RE: Expert Panel - Copyright Issue

Paul

This is what I found on line.

Thanks

Nelson
X20514

From: Kaufman, Paul (TBS)
Sent: January-19-17 10:35 AM
To: Tam, Nelson (TBS)
Cc: Hatzis, Len (TBS)
Subject: RE: Expert Panel - Copyright Issue

Nelson, the licence terms in your email below only apply to content available on the CPA Canada web site. From a quick look I don't think that the handbook itself is available on the web site (let me know if I'm just missing it though). It looks like the CPA website allows you to buy access to the handbook on another website, or to purchase a download, dvd or print version.

The handbook itself should include a copyright page that describes the manner in which content from the handbook can be reproduced, and other licence terms. Is it possible for someone to scan that page and send it over for our review?

Please feel free to give me a call if you want to discuss.

Paul

Paul Kaufman
Counsel

Ministry of the Attorney General | Legal Services Branch | Treasury Board Secretariat
9th Floor, 77 Wellesley Street West, Ferguson Block, Toronto, ON M7A 1N3
Phone: 416-327-7012 Fax: 416-325-9404

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From: Tam, Nelson (TBS)
Sent: January-19-17 10:11 AM
To: Kaufman, Paul (TBS)
Subject: Expert Panel - Copyright Issue

Paul

Communications had a question regarding the expert panel's inclusion of excerpts from the accounting handbook. The report writer and Chair believes there are no issues. Some research was conducted as per below:

I found this on the CPA Canada website <https://www.cpacanada.ca/en/copyright>

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1. The document is used for informational and non-commercial purposes only.
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4. Any copy of any documents or any portion of a document contained on this Web site is subject to the restrictions contained on this page, and is deemed to include it.

Based on the above, point 1 above appears to apply. The report writer is suggesting we include the following as a footnote to Appendix B of the report which includes the appropriate extracts from the accounting handbook.

All extracts from the CPA Canada Public Sector Accounting Handbook used within this report are copyright © CPA Canada 2016

Any advice on wording is greatly appreciated. The quotes used support the arguments made in the report.

Thanks

Nelson
X20514

3 - Email - January 19 2017 - RE_ CPA - Copyright Issue & Appendix B.pdf

From: [Patricia O'Malley](#)
To: lucy.durocher@ca.pwc.com; [Tam, Nelson \(TBS\)](#)
Subject: RE: CPA - Copyright Issue & Appendix B
Date: January-19-17 12:50:48 PM

When I do expert reports, I include as appendices entire Handbook sections even though I may only be using a few paragraphs. Context is important, especially given that we are responding to another report that doesn't always provide it or quote accurately. The only acknowledgement in those reports is that they are from the CICA Handbook (as it was at the time my reports are usually dealing with). The reports become part of the court file, so in a sense are public documents. No-one has ever questioned the copyright. The FASB almost automatically gives permission for the use of US material in similar circumstances.

We are certainly not going to footnote and Ibid every reference to the HB!!

Before we get all excited about this, perhaps we should wait to see what CPAC says.

From: lucy.durocher@ca.pwc.com [mailto:lucy.durocher@ca.pwc.com]
Sent: 19-Jan-17 12:30
To: Tam, Nelson (TBS) <Nelson.Tam@ontario.ca>
Cc: Patricia O'Malley <plomalley@outlook.com>
Subject: RE: CPA - Copyright Issue & Appendix B

If the text in Appendix B is left out then I would suggest that Appendix B is used to list the particular sections and paragraphs that the Panel considered, without necessarily including the wording. This way the report would include a reference to the surrounding paragraphs that are not specifically cited, but that were considered for context, which I think is important to show that the Panel did not "cherry pick" the wording.

That would seem to avoid the issue as we would be referencing, but not reproducing the texts (other than as included in the body, which are all also referenced, limited and do not seem to be an issue from a CPA Canada perspective. These are certainly consistent with how we reference and extract from the handbook in Large firms publications).

Lucy Durocher
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PwC Tower, 18 York Street, Suite 2600, Toronto ON M5J 0B2
<http://www.pwc.com/ca>

From: "Tam, Nelson (TBS)" <Nelson.Tam@ontario.ca>
To: "Patricia O'Malley" <plomalley@outlook.com>, Lucy Durocher/CA/ABAS/PwC@Americas-CA
Date: 01/19/2017 12:09 PM

Patricia, Lucy

My apologies – Maybe it is best if we leave out Appendix B. The report discussions references the guidance in the various HB sections that I don't think we need to reproduce entire sections verbatim.. Also, there are sections we included that we don't reference in the report.

Then we can use legal's suggestion of how to give CPA Canada credit.

Just my thoughts.

Thanks

Nelson
416-212-0514

From: Tam, Nelson (TBS)
Sent: January-19-17 11:59 AM
To: 'Patricia O'Malley'; lucy.durocher@ca.pwc.com
Subject: RE: CPA - Copyright Issue & Appendix B

Patricia, Lucy

Attached is the advice from our legal branch.

Nelson, thanks for that (I assume it is extracted from the handbook that the panel will be quoting from).

Based on the licence terms in the extract that you provided, the zero-risk course of action would be to ask the CPA group for permission to reproduce the extracts that will be copied in the panel's report (noting for the CPA group that the government intends to publish the panel's report).

If you don't do that, it would still be fairly low-risk in my view to include extracts from the handbook in the panel's report (and for the government to subsequently publish that report), provided that

(a) The passages being quoted from the handbook are minimal and selective (i.e. you aren't copying whole pages/chapters, or other large amounts of material). It would be problematic if such a significant amount of material was being reproduced that someone could find a copy of the report in the public domain and use the quoted CPA source material instead of buying the material from the CPA group itself (there is a general exception to the default copyright rules in the federal *Copyright Act* that

allows for this kind of limited non-commercial use of copyrighted information); and
(b) The panel attributes the quotes from the handbook to CPA Canada. I think that the text that the report writer proposed is a good start, but it looks like CPA uses 2017 as the copyright year for the handbook. I would also spell out "Chartered Professional Accountants of Canada" in the footnote and use an ibid cite for each quote from the handbook.

The extract he is referring is attached. It is from the Knotia website.

It may be prudent to request permission so we can include Appendix B. I am not concerned with the references in the report as they are minimal. Appendix B is more comprehensive.

Thanks

Nelson
416-212-0514

From: Patricia O'Malley [<mailto:plomalley@outlook.com>]
Sent: January-19-17 11:23 AM
To: lucy.durocher@ca.pwc.com
Cc: Tam, Nelson (TBS)
Subject: RE: CPA - Copyright Issue & Appendix B

I will check this with CPAC and see what Stephenie has found out,

From: lucy.durocher@ca.pwc.com [<mailto:lucy.durocher@ca.pwc.com>]
Sent: 19-Jan-17 10:02
To: Patricia O'Malley <plomalley@outlook.com>
Cc: Tam, Nelson (TBS) <Nelson.Tam@ontario.ca>
Subject: RE: CPA - Copyright Issue & Appendix B

I did a bit more research (aka googling) and am suggesting the following footnote in terms of acknowledging the CPA Canada copyright (I used 2016 because the extracts were taken from the 2016 Handbook).

2 All extracts from the CPA Canada Public Sector Accounting Handbook used within this report are copyright © CPA Canada 2016

I think this works, but I am no legal expert. Would it help for Nelson to circulate this language to an appropriate resource to confirm?

Lucy

Lucy Durocher
PwC | Partner, National Accounting Consulting Services
T: +1 416 869 2311
Email: lucy.durocher@ca.pwc.com
Assistant: Tracey Whelan | T: +1 416 941 8383 ext. 14223
PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto ON M5J 0B2

<http://www.pwc.com/ca>

From: "Patricia O'Malley" <plomalley@outlook.com>
To: Lucy Durocher/CA/ABAS/PwC@Americas-CA
Cc: "Tam, Nelson (TBS)" <Nelson.Tam@ontario.ca>
Date: 01/17/2017 04:14 PM
Subject: RE: CPA - Copyright Issue & Appendix B

Like me Stephenie thinks that no specific permission is required as long as CPA Canada copyright is clearly acknowledged along with the source, like CPA Canada's Public Sector Accounting Handbook. However, she is going to check with CPAC legal counsel and get back to me. Will let you know.

From: lucy.durocher@ca.pwc.com [<mailto:lucy.durocher@ca.pwc.com>]
Sent: 17-Jan-17 15:36
To: Patricia O'Malley <plomalley@outlook.com>
Cc: Tam, Nelson (TBS) <Nelson.Tam@ontario.ca>
Subject: RE: CPA - Copyright Issue & Appendix B

Hmmm. This is an interesting question.

We do tend to use quotes etc from standards all the time. I found this on the CPA Canada website, which seems to reflect their views on copyright:

I found this on the CPA Canada website <https://www.cpacanada.ca/en/copyright>

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We would seem to be on-side in respect of this as the document is used for information and non-commercial purposes only.

That said, I took a lot of the sections from "Knotia.ca" which is the CPA Canada electronic database for members (and subscribers) of the standards. Knotia is hosted by EY and the terms and conditions include the following (emphasis mine), which seems to be significantly more restrictive than the general CPA copyright information on their website.

1. **Proprietary Rights.** EYEP has expended substantial time, effort, and

funds to create Knotia. Subscriber acknowledges and agrees that Knotia and the information, data, databases, and images contained on or provided through Knotia (individually and collectively, the “Content”) is owned and/or licensed by EYEP and/or its affiliates and related entities or is made available to Subscriber with the permission of the third-party owner (such as Chartered Professional Accountants of Canada). **Knotia is protected by copyright, trademark, and other applicable intellectual property and proprietary rights laws. Nothing contained in this Agreement conveys to Subscriber any right, title, or interest in or to any Content. Subscriber shall not remove, obscure or modify any copyright or other notice placed on Content. Distribution of Content shall be limited to those within Subscriber’s organization who are aware of the obligations imposed by this Agreement. In no event shall Subscriber display, circulate, publish, retransmit, redistribute, reproduce, or sell all or any part of Content outside of Subscriber’s business organization by any means or medium now or hereafter created.** “Knotia” and “Knowledge Powering Business” are trademarks used by EYEP under licence. Subscriber agrees that Subscriber will not display or use such trademarks in any manner without EYEP’s prior written permission.

It could also be a matter of the extent to which extracts are included (which is to quite an extent).

I think we need to get CPA Canada's views on this to ensure we are on-side. **Tricia** - you may know best how to get to the right person. Would it be to start with the Standards group and try and find the right legal take on this?

Lucy

Lucy Durocher

PwC | Partner, National Accounting Consulting Services

T: +1 416 869 2311

Email: lucy.durocher@ca.pwc.com

Assistant: Tracey Whelan | T: +1 416 941 8383 ext. 14223

PricewaterhouseCoopers LLP

PwC Tower, 18 York Street, Suite 2600, Toronto ON M5J 0B2

<http://www.pwc.com/ca>

From: "Patricia O'Malley" <plomalley@outlook.com>

To: "Tam, Nelson (TBS)" <Nelson.Tam@ontario.ca>, Lucy Durocher/CA/ABAS/PwC@Americas-CA, "Patricia O'Malley"

<plomalley@outlook.com>

Date: 01/17/2017 03:24 PM

Subject: RE: CPA - Copyright Issue & Appendix B

It is my understanding, based on the use of quotations from the HBs in various opinions and reports including text books, that they just want the source and copyright of CPA Canada acknowledged. So we will need to be careful to note that it is the CPA Canada Public Sector Handbook we are quoting from both throughout the report as well as in the appendix. Perhaps this requires another upfront footnote?

From: Tam, Nelson (TBS) [<mailto:Nelson.Tam@ontario.ca>]

Sent: 17-Jan-17 15:20

To: lucy.durocher@ca.pwc.com; Patricia O'Malley (plomalley@outlook.com) <plomalley@outlook.com>

Subject: CPA - Copyright Issue & Appendix B

Lucy, Patricia

Our Communications Branch was concerned with Appendix B and copyright issues. Not sure if we are extracting certain parts of it would apply. They sent me the following:

I did some research and contacted CPA. The PSAS are subject to copyright. This means we can't publish them without CPA Canada's consent.

Is there are copyright restriction on the information in Appendix B? You may have a better understanding of the rules.

Thanks

Nelson

416-212-0514

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3A - Email - January 17 2017 - RE_ CPA - Copyright Issue & Appendix B.pdf

From: [Patricia O'Malley](#)
To: lucy.durocher@ca.pwc.com
Cc: [Tam, Nelson \(TBS\)](#)
Subject: RE: CPA - Copyright Issue & Appendix B
Date: January-17-17 3:47:56 PM

Have highlighted below what I think is the part of the Knotia rights that is relevant to us. They don't hold the copyright to the CPAC material, only the material they have created themselves. Perhaps we should look at the AG's report to see whether she has provided any "used with permission" wording w.r.t. her quotations of the standards.

I will check with the VP standards but I don't think it is necessary.

From: lucy.durocher@ca.pwc.com [mailto:lucy.durocher@ca.pwc.com]
Sent: 17-Jan-17 15:36
To: Patricia O'Malley <plomalley@outlook.com>
Cc: Tam, Nelson (TBS) <Nelson.Tam@ontario.ca>
Subject: RE: CPA - Copyright Issue & Appendix B

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3. The document shall show, by direct credit or attribution, or by reference to a URL, that it has been reproduced from CPA Canada's Web site.
4. Any copy of any documents or any portion of a document contained on this Web site is subject to the restrictions contained on this page, and is deemed to include it.

We would seem to be on-side in respect of this as the document is used for information and non-commercial purposes only.

That said, I took a lot of the sections from "Knotia.ca" which is the CPA Canada electronic database for members (and subscribers) of the standards. Knotia is hosted by EY and the terms and conditions include the following (emphasis mine), which seems to be significantly more restrictive than the general CPA copyright information on their website.

1. **Proprietary Rights.** EYEP has expended substantial time, effort, and funds to create Knotia. Subscriber acknowledges and agrees that Knotia and the information, data, databases, and images contained on or provided through Knotia (individually and collectively, the "Content") is owned and/or licensed by

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It could also be a matter of the extent to which extracts are included (which is to quite an extent).

I think we need to get CPA Canada's views on this to ensure we are on-side. **Tricia** - you may know best how to get to the right person. Would it be to start with the Standards group and try and find the right legal take on this?

Lucy

Lucy Durocher

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From: "Patricia O'Malley" <plomalley@outlook.com>
To: "Tam, Nelson (TBS)" <Nelson.Tam@ontario.ca>, Lucy Durocher/CA/ABAS/PwC@Americas-CA, "Patricia O'Malley" <plomalley@outlook.com>

Date: 01/17/2017 03:24 PM
Subject: RE: CPA - Copyright Issue & Appendix B

It is my understanding, based on the use of quotations from the HBs in various opinions and reports including text books, that they just want the source and copyright of CPA Canada acknowledged. So we will need to be careful to note that it is the CPA Canada Public Sector Handbook we are quoting from both throughout the report as well as in the appendix. Perhaps this requires another upfront footnote?

From: Tam, Nelson (TBS) [<mailto:Nelson.Tam@ontario.ca>]

Sent: 17-Jan-17 15:20

To: lucy.durocher@ca.pwc.com; Patricia O'Malley (plomalley@outlook.com) <plomalley@outlook.com>

Subject: CPA - Copyright Issue & Appendix B

Lucy, Patricia

Our Communications Branch was concerned with Appendix B and copyright issues. Not sure if we are extracting certain parts of it would apply. They sent me the following:

I did some research and contacted CPA. The PSAS are subject to copyright. This means we can't publish them without CPA Canada's consent.

Is there are copyright restriction on the information in Appendix B? You may have a better understanding of the rules.

Thanks

Nelson

416-212-0514

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Appendix B.docx

Appendix B - Accounting references

Canadian Public Sector Accounting Standards - from the CPA Canada Public Sector Accounting Handbook¹

PS 1000, Financial Statement Concepts

PS 1000.13 Context of government financial statements

.13 Nevertheless, financial statements are a central feature of government financial reporting. They serve as a means by which a government provides an accounting of its administration of public financial affairs and resources. These financial statements are a principal means of communicating financial information to those not involved in the government's financial administration and present aggregated information capable of integration with other financial statements, schedules and reports provided by the government. Because of this key role, the objectives of government financial statements (see FINANCIAL STATEMENT OBJECTIVES, Section PS 1100) are a significant factor in the selection of accounting policies used in government financial reporting and in the determination of information required from the accounting system.

PS 1000.14-.18 Users and user information needs

- .14 Government financial statements serve the interests of a variety of users: the public, legislators, councillors, investors, analysts and other governments.
- .15 Legislatures, councils and governments are accountable to the public, who provide the revenues and resources necessary for government operations, who receive government services and who are the beneficial owners of the public money and property for which legislatures, councils and governments are responsible. The public is comprised of groups with a variety of interests and views.
- .16 As elected representatives of the public, legislators and councillors are primary users of government financial statements. They grant authority to the government to administer public resources and financial affairs, and hold the government accountable for its financial administration.
- .17 Investors in government securities and enterprises provide financial resources. Government has an interest in providing information useful to them in evaluating its ability to finance its activities and to meet its liabilities and contractual obligations. Economic and financial analysts serve legislators and councillors, investors and other interested parties. They use financial statements and other information to analyze and evaluate financial issues.

¹ All extracts from the CPA Canada Public Sector Accounting Handbook used within this report are copyright © CPA Canada 2017.

- .18 Users are interested in the state of a government's finances, its financial viability both in the short and long term, its revenues and financing sources, the allocation and use of its economic resources, the nature and extent of its economic activities and the quality of its financial management. In particular, government financial statements need to report the information required by users to help them make assessments and judgments concerning government financial operations and management.

PS 1000.21 Financial statement objectives

- .21 The information needed to aid understanding and assessments of government financial operations and to promote accountability extends beyond reporting surpluses and deficits. A government's financial statements must provide information that describes liabilities and financial assets, its non-financial assets that are available for use in providing future services, the cost of using its economic resources in the delivery of services, as well as information about investing and financing activities and potential assets and liabilities. Further, this information needs to highlight measures (for example, net debt and net economic resources) that help users assess whether the government's financial position has improved or deteriorated and explain the changes in financial position. The information reported in financial statements must also reflect the full nature and extent of the government's resources, obligations and financial affairs. The objectives of government financial statements are outlined in FINANCIAL STATEMENT OBJECTIVES, Section PS 1100, and are consistent with the financial statement concepts of this Section.

PS 1000.23 -.31 Qualitative characteristics

- .23 The function of financial statements is the communication of information to users. To fulfill this function effectively, the information must be relevant and reliable, and communicated in a manner that best facilitates its use.
- .24 Financial statements should communicate information that is relevant to the needs of those for whom the statements are prepared, reliable, comparable, understandable and clearly presented in a manner that maximizes its usefulness.
- .25 Financial statements provide evidence of accountability and report information required by users to help them make assessments and judgments concerning government financial operations and management. To adequately serve these needs in a manner that maximizes its usefulness, information in financial statements must possess certain basic qualities. These qualities are essential to the utility of government financial statements. The information required to meet the objectives of government financial statements needs to embody these essential characteristics.

Relevance

- .26 For the information provided in financial statements to be useful, it must be relevant to the decisions made by users and for assessing accountability. Information is relevant by its nature when it can influence the decisions of users by helping them evaluate the financial

impact or potential financial impact of past, present or future transactions and events or confirm, or correct, previous evaluations. For the information in government financial statements to be relevant to the needs of users, it must also be of a nature, and presented in a manner, that helps users assess the accountability of the government for its administration of public resources and financial affairs.

.27 Financial statements are not intended to provide all of the information necessary to users for decision making or for assessing government accountability. Nevertheless, they provide a fundamental component of the information needed for such purposes.

.28 Relevance is achieved through information that has predictive, feedback and accountability value, and is timely.

(a) **Predictive value and feedback value**

Information that helps users to predict a government's future financial results and cash flows has predictive value. Although the data provided in financial statements will not normally be a prediction in itself, it may be useful in making predictions. The predictive value of the statement of operations, for example, is enhanced if abnormal items are separately disclosed. Information that confirms or corrects previous predictions has feedback value. Information often has both predictive value and feedback value.

(b) **Accountability value**

Information that helps users assess a government's stewardship of the resources entrusted to it, including how resources have been applied and consumed in providing services, has accountability value. Information in government financial statements must be presented in a manner that assists in discharging this accountability. To provide accountability value, financial statements should reflect the nature and dimensions of financial position and performance that are characteristic of and appropriate to the unique nature of government. Accountability value is enhanced when financial statements identify the financial objectives and targets normally established by formal process and measure actual achievements against those financial objectives and targets. The accountability value of the information in the financial statements is also enhanced when the financial and non-financial performance information disclosed elsewhere in the Public Accounts, annual report or other report of the government can be related to the information in financial statements.

(c) **Timeliness**

Information should be timely. Financial statements issued long after the end of the fiscal period are of historical interest only. For information to be useful for decision making and accountability, the decision maker or stakeholder must receive it before it loses its capacity to influence decisions. The usefulness of information for decision making and assessing accountability declines as time elapses.

Reliability

.29 Information should be reliable. Inaccurate, inappropriate or incomplete information, or information that is biased or does not faithfully represent what it purports to represent, will inhibit rather than enhance understanding, evaluation and decision making by users and

adversely affect the accountability provided by the financial statements to stakeholders. Reliable information has the following characteristics.

(a) **Representational faithfulness**

Representational faithfulness is achieved when transactions and events affecting the entity are presented in financial statements in a manner that is in agreement with the actual underlying transactions and events. Thus, transactions and events are accounted for and presented in a manner that conveys their substance rather than necessarily their legal or other form. The substance of transactions and events may not always be consistent with that apparent from their legal or other form. To determine the substance of a transaction or event, it may be necessary to consider a group of related knowledgeable and independent observers would concur that it is in agreement with the actual underlying transaction or event with a reasonable degree of precision.

(b) **Completeness**

Information is complete when none of the data necessary to achieve representational faithfulness is lacking. Completeness of disclosure means providing sufficient information about transactions, circumstances or events of such size, nature or incidence that their disclosure is necessary to understand the government's finances. In assessing the degree of completeness of the information provided in financial statements, the benefit / cost constraint in paragraph PS 1000.22 and the qualitative characteristics trade-off described in paragraph PS 1000.32 would be considered. Reliability implies completeness of information, at least within the bounds of what is material and feasible, considering the cost. An omission can rob information of its claim to neutrality if the omission is material and is intended to induce or inhibit some particular mode of behaviour.

(c) **Neutrality**

Information is neutral when it is free from bias that would lead users towards making decisions that are influenced by the way the information is measured or presented. Bias in measurement occurs when a measure tends to consistently overstate or understate the items being measured. In the selection of accounting principles, bias may occur when the selection is made with the interests of particular users or with particular economic or political objectives in mind. Financial statements that do not include everything necessary for faithful representation of transactions and events affecting the entity would be incomplete and, therefore, potentially biased.

Neutrality does not mean "without purpose", nor does it mean that accounting should be without influence on human behaviour. Accounting information cannot avoid affecting behaviour, nor should it. It is, above all, the predetermination of a desired result, and the consequential selection of information to induce that result, that negates neutrality in accounting. To be neutral, accounting information must report economic activity as faithfully as possible, without colouring the image it communicates for the purpose of influencing behaviour in some particular direction.

(d) **Conservatism**

The application of conservatism in making judgments under conditions of uncertainty affects the neutrality of financial statements in an acceptable manner. When uncertainty

exists, estimates of a conservative nature attempt to ensure that assets, revenues and gains are not overstated and, conversely, that liabilities, expenses and losses are not understated. Conservatism does not, however, encompass the deliberate understatement of assets and revenues or the deliberate overstatement of liabilities and expenses.

(e) **Verifiability**

The financial statement representation of a transaction or event is verifiable if knowledgeable and independent observers would concur that it is in agreement with the actual underlying transaction or event with a reasonable degree of precision. Verifiability focuses on the correct application of a basis of measurement rather than its appropriateness.

Comparability

- .30 Comparability is a characteristic of the relationship between two pieces of information rather than of a particular piece of information by itself. It enables users to identify similarities in and differences between the information provided by two sets of financial statements. Uniformity in application of principles is important when comparing the financial statements of two different entities. Consistency in application is important when comparing the financial statements of the same entity over two periods or at two different points in time. Consistency helps prevent misconceptions that might result from the application of different accounting policies in different periods. When a change in accounting policy is deemed to be appropriate, disclosure of the effects of the change is necessary to maintain comparability.

Understandability and clear presentation

- .31 Information should be understandable and clearly presented. Excessive detail, vague or overly technical descriptions, and complex presentation formats result in confusion and misinterpretation. Users need information presented clearly and simply. For the information provided in financial statements to be useful, it must be capable of being understood by users. Users are assumed to have a reasonable understanding of economic activities and accounting, together with a willingness to study the information with reasonable diligence.

PS 1000.35-38 Definition of an asset [currently effective, prior to adoption of PS 3210, Assets]

- .35 **Assets** are 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.
- .36 Assets have three essential characteristics:
- (a) they embody a future benefit that involves a capacity, singly or in combination with other assets, to provide future net cash flows, or to provide goods and services;
 - (b) the government can control access to the benefit; and

- (c) the transaction or event giving rise to the government's control of the benefit has already occurred.
- .37 An item is not an asset of a government if it lacks one or more of the essential characteristics listed in the preceding paragraph. Thus, for example, an item does not qualify as an asset of a government if the item involves:
 - (a) no future economic benefit;
 - (b) future economic benefit, but the government cannot obtain it; or
 - (c) future economic benefit that the government may obtain, but the events or circumstances that give the government control of the benefit have not yet occurred.
- .38 For an asset to be a government's asset, that government must control the future economic benefit associated with the asset to the extent that it can benefit directly from the asset and generally can deny or regulate access to that benefit by others. For example, the direct benefits of education and health care programs accrue to and are controlled by the individuals who are educated or treated and healed. Therefore, the costs of such programs, which are often called "investments", are excluded from being assets of the government.

PS 1000.52-.56 Recognition

- .52 Recognition is the process of including an item in the financial statements of an entity. Recognition consists of the addition of the amount involved into item totals on a financial statement together with a narrative description of the item (for example, receivables, user fees, grants) in a statement. Similar items may be grouped together in the financial statements for the purpose of presentation.
- .53 Recognition means inclusion of an item within one or more individual statements and does not mean disclosure in the notes to the financial statements. Notes either provide further details about items recognized in the financial statements, or provide information about items that do not meet the criteria for recognition and thus are not recognized in the financial statements.
- .54 The recognition criteria below provide general guidance on when an item is recognized in the financial statements. Whether a particular item is recognized or not will require the application of professional judgment in considering whether the specific circumstances meet the recognition criteria.
- .55 The recognition criteria are as follows:
 - (a) the item has an appropriate basis of measurement, and a reasonable estimate can be made of the amount involved; and
 - (b) for an item that involves obtaining or giving up future economic benefits, it is expected that such benefits will be obtained or given up.

- .56 It is possible that an item will meet the definition of an element but still not be recognized in the financial statements because it is not expected that future economic benefits will be obtained or given up or because a reasonable estimate cannot be made of the amount involved. It may be appropriate to provide information about items that do not meet the recognition criteria in notes to the financial statements. "Expected" is used with its usual general meaning and refers to that which can reasonably be anticipated, contemplated or believed on the basis of available evidence or logic but is neither certain nor proved. The use of the word in the recognition criteria is intended to acknowledge that economic activities occur in an environment characterized by uncertainty. It is not intended to accommodate the recognition of items that do not meet the definition of one of the elements of financial statements. By implication, recognition would, therefore, not be appropriate without the occurrence of a past transaction or economic event that gives rise to an asset, liability, revenue or expense as defined in this Section.

PS 1100, Financial Statement Objectives

PS 1100.19-.32, Reporting financial position [currently effective, prior to adoption of PS 3210, Assets]

- .19 Financial statement information is used to gain an understanding of, and assess the state of, a government's finances at a point in time. Such information facilitates assessments of the government's financial viability, future tax and revenue requirements, and ability to maintain and expand the level and quality of its services.

.20 Objective 2

Financial statements should present information to describe the government's financial position at the end of the accounting period. Such information should be useful in evaluating:

- (a) the government's ability to finance its activities and to meet its liabilities and contractual obligations; and
- (b) the government's ability to provide future services.

- .21 Governments provide public services and redistribute wealth for a variety of social and economic purposes. To meet those objectives, governments need information about the cost of services and the affordability of services. An understanding of the extent of the financial "lien" the government has on its ability to provide future services as a result of past transactions and events is essential information. Governments also need to have an appreciation of the magnitude of the total economic resources they have on hand to deliver services. A government's net financial resources / net debt position, assessed in combination with the non-financial resources position of the government, provides a measure of the net recognized economic resources available to the government at the financial statement date to provide services in the future.

- .22 **Economic resources** are scarce means that are useful for carrying out economic activities, such as consumption, production and exchange. Financial and non-financial resources comprise the economic resources of a government.
- .23 **Financial resources** include cash, claims to cash, investments and any other resources of the government that are not for consumption in the normal course of operations and are expected to contribute to net cash inflows (such as inventories for resale). A government's financial assets, as defined in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, comprise the financial resources of a government.
- .24 **Non-financial resources** include all items of a fixed or permanent nature (such as tangible capital property), claims to goods and services (such as prepaid items) and consumable goods (such as inventories of supplies). Non-financial resources also include intangibles, Crown lands and natural resources.
- .25 Certain non-financial resources are, however, not given accounting recognition as assets in government financial statements. For example, all government intangibles, and all natural resources and Crown lands that have not been purchased by the government, are not given accounting recognition in government financial statements. A government's non-financial assets, as defined in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, comprise the recognized non-financial resources of a government.
- .26 Because the non-financial resources of government are different in nature from those held by a business, however, the financial position of a government has two dimensions:
- (a) the net financial resources or net debt of a government; and
 - (b) the recognized non-financial resources of the government, which represent unexpired service potential available to be consumed by the government in the future.
- .27 The term "net debt" is used to describe the first indicator of a government's financial position in this Section. The net assets of a government represent the net economic resources recognizable by the government. The two dimensions of the government's financial position are combined to calculate this second indicator of a government's financial position, called its accumulated surplus or deficit.
- .28 Net debt is measured as the difference between a government's liabilities and financial assets. This difference bears directly on the government's future revenue requirements and on its ability to finance its activities and meet its liabilities and contractual obligations. Net debt provides a measure of the future revenues required to pay for past transactions and events. The extent of a government's net debt and the financial ability of the government to service that debt is an important test of the sustainability of that government. When a government's financial assets exceed its liabilities, this indicator of a government's financial position would be called "net financial assets" and it would provide a measure of the net financial assets on hand that can provide financial resources to finance future operations.
- .29 A government's net debt is an important indicator of a government's financial position, highlighting the financial affordability of future government service provision. A net debt

position represents a "lien" on the ability of the government to apply financial resources and future revenues to provide services. Non-financial assets are added to net debt to calculate the other indicator of a government's financial position — its accumulated surplus or deficit. Non-financial assets are "prepaid service potential". Reporting a government's recognized non-financial resources as part of its financial position provides information necessary for a more complete understanding of a government's debt position, financial position and future operating requirements.

- .30 The nature of the majority of government non-financial assets is different from the nature of those held by a business. Capital assets are held by a business in order to generate future net cash inflows to provide a return to investors, as well as to finance operations, expansion and debt retirement. If the net realizable value of an asset of a business is greater than the present value of its expected future net cash inflows to the business, it would normally be sold. In contrast, for government, like not-for-profit organizations, recognition and valuation of capital assets are based on their service potential; for the most part, such assets do not generate future net cash inflows. In addition, they do not normally provide resources to discharge the liabilities of the government, unless they are sold and thus converted back into financial assets.
- .31 The tangible capital assets and other non-financial assets of a government form part of its financial position because they provide resources that the government can employ in the future to accomplish its objectives. The government can use these assets to provide services. The services that the government can provide as a result of owning a capital asset are the future benefits embodied by the asset. Including such assets in the government's financial position provides a more complete picture of the economic resources available to and utilized by the government.
- .32 A key distinction between the financial and non-financial assets of a government is the degree of choice in application associated with them. Financial assets can be used to discharge liabilities or provide services, while non-financial assets can normally be used only for service provision. Given that many users are more familiar with the nature of the elements reported in the financial statements of profit-oriented enterprises, it is crucial that the financial statements identify this fundamental characteristic of government non-financial assets.

PS 1150, Generally Accepted Accounting Principles

PS 1150.04-.12 Sources of GAAP

- .04 A public sector reporting entity should apply every primary source of GAAP that deals with the accounting and reporting in financial statements of transactions or events encountered by the public sector reporting entity.
- .05 When the primary sources of GAAP do not deal with the accounting and reporting in financial statements of transactions or events encountered by the public sector reporting entity, or additional guidance is needed to apply a primary source to specific

circumstances, the selection of an appropriate accounting policy requires the exercise of professional judgment. In these circumstances, a public sector reporting entity should adopt accounting policies and disclosures that are consistent with:

- (a) the primary sources of GAAP; and
 - (b) the application of the concepts described in FINANCIAL STATEMENT CONCEPTS, Section PS 1000.
- .06 The primary sources of GAAP provide the financial statement accounting and reporting requirements, as well as explanations and guidance for most transactions and events encountered by a public sector reporting entity. Management is required to be knowledgeable about the primary sources of GAAP. As well, management is required to be aware of changes to the primary sources, because what constitutes GAAP at a particular time changes and adapts to reflect economic and social conditions.
- .07 No rule of general application can be phrased to suit all circumstances or combinations of circumstances that may arise. As a result, matters may arise that are not specifically addressed in the primary sources of GAAP. It is necessary to refer to other sources when the primary sources do not deal with the accounting and reporting in financial statements of transactions or events that a public sector reporting entity encounters, or when additional guidance is needed to apply a primary source to specific circumstances.
- .08 A public sector reporting entity consults sources other than primary sources of GAAP to assist in selecting accounting policies and disclosures only when these sources comply with paragraph PS 1150.05. The public sector reporting entity evaluates sources in selecting the appropriate accounting policies and disclosures based on all of the following criteria:
- (a) The specificity of the source — A source that deals with the specific circumstances is likely to be more relevant than one from which the public sector reporting entity must analogize.
 - (b) The authority of the issuer or author — A source issued by an accounting standard setter in its own jurisdiction is likely to be more relevant than a source issued by others in the same jurisdiction.
 - (c) The continued relevance of the source — The passage of time may diminish the relevance of certain sources.
 - (d) The development process for the source — A source developed after extensive consultation and debate is likely to be more relevant than a source developed without such discipline.
- .09 The selection of appropriate accounting policies and disclosures requires the exercise of professional judgment. In exercising professional judgment, a public sector reporting entity takes into account the primary sources of GAAP, as well as the concepts described in paragraph PS 1150.05(b). The public sector reporting entity would not analogize to a primary source of GAAP if the source used states that it applies only to the particular circumstances described therein.

- .10 A public sector reporting entity considers all sources of GAAP that it consults in the context of the concepts described in paragraph PS 1150.05(b), which describes the concepts underlying the development and use of accounting principles in financial statements. A public sector reporting entity adopts accounting policies that are consistent with these concepts. The Public Sector Accounting Board (the Board) considers a source to be consistent with the concepts in paragraph PS 1150.05(b) when the guidance in that source is compatible with the qualitative characteristics of financial information, the elements of financial statements, and the recognition and measurement criteria in paragraph PS 1150.05(b).
- .11 In selecting appropriate accounting policies and disclosures, interpretations of a source do not constitute evidence that the criteria in paragraph PS 1150.05 have been met if it is likely that most parties, exercising professional judgment, would reject them as not resulting in a fair presentation in accordance with GAAP.
- .12 When the concepts described in paragraph PS 1150.05(b) conflict with a primary source of GAAP, the requirements of the primary source of GAAP prevail. The Board is guided by the concepts described in paragraph PS 1150.05(b) in the development of future pronouncements and in its review of existing pronouncements. Therefore, the number of cases of conflicts between the concepts described in paragraph PS 1150.05(b) and primary sources of GAAP will diminish over time.

PS 1150.14 Primary sources of GAAP

- .14 In CPA Canada PSA Handbook Sections, italicized and non-italicized paragraphs have equal authority. Italicized paragraphs generally state the main principles, while non-italicized paragraphs generally explain the principles or their application to a particular situation. In addition, non-italicized paragraphs may include guidance for practices that are encouraged or desirable, but not required. To be in accordance with GAAP, a public sector reporting entity needs to comply with the non-italicized paragraphs as well as the principles. When there appear to be different ways of interpreting the non-italicized paragraphs, the public sector reporting entity selects the treatment that is most consistent with the principles.

PS 1150.18-.20 Other sources

- .18 Paragraphs PS 1150.19-.24 identify some of the other sources that a public sector reporting entity might consult to assist in selecting accounting policies and disclosures that comply with paragraph PS 1150.05.
- .19 Pronouncements issued by other bodies authorized to issue accounting standards may be useful sources to consult. For example, accounting pronouncements published with the authority of the Canadian Accounting Standards Board (AcSB), International Accounting Standards Board (IASB), US Federal Accounting Standards Advisory Board (FASAB), US Governmental Accounting Standards Board (GASB), or International Public Sector

Accounting Standards Board (IPSASB) are often important sources to consult on matters not covered by primary sources of GAAP or for assistance in applying a primary source of GAAP to specific circumstances.

- .20 When a public sector reporting entity chooses to consult a source described in paragraph PS 1150.19, it applies professional judgment and evaluates the source in the context of the relative manner in which the standard setter requires its pronouncements to be applied, as well as in the context of the related pronouncement. When an accounting standard setter does not have a conceptual framework that is similar to the concepts referred to in paragraph PS 1150.05(b), the public sector reporting entity needs to ensure that the selected source is consistent with those concepts.

PS 3060, Government Partnerships

PS 3060.06 Definitions

- .06 The following definitions have been adopted for the purposes of this Section:

A government partnership is not a government organization but is a contractual arrangement² between the government and a party or parties outside of the government reporting entity³ that has all of the following characteristics:

- (a) the partners co-operate toward achieving significant clearly defined common goals;
- (b) the partners make a financial investment in the government partnership;
- (c) the partners share control of decisions related to the financial and operating policies of the government partnership on an ongoing basis; and
- (d) the partners share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership.

The contractual arrangement establishes that the parties have shared control over the government partnership, regardless of the difference in their ownership interest. Nevertheless, overall, there must be an equitable relationship between the financial investment of the government in the government partnership, the extent of control it is able to exercise over the activities of the government partnership, and the risks and benefits that accrue to the government from the government partnership. Government partnerships may be structured as operations under shared control, assets under shared control or organizations under shared control.

Footnote 2 – A chart showing the various types of government contractual arrangements, including government partnerships, is included as Appendix A [of PS 3060. Chart not included in this report]

Footnote 3 - In arrangements where government employees jointly manage an employee benefit program (e.g., a pension plan) with the government, the employees are not considered to be parties outside of the financial reporting entity for the purposes of applying the definition of a government partnership.

PS 3060.11-22 – Elements that define a government partnership

Contractual arrangement

- .11 A distinctive characteristic common to all government partnerships is that two or more partners are bound by a contractual arrangement which establishes that the partners have shared control over the government partnership. This characteristic of shared control distinguishes a government's interest in a government partnership from investments in other activities in which the government may exercise control (see GOVERNMENT REPORTING ENTITY, Section PS 1300, BASIC PRINCIPLES OF CONSOLIDATION, Section PS 2500, ADDITIONAL AREAS OF CONSOLIDATION, Section PS 2510, and PORTFOLIO INVESTMENTS, Section PS 3041).
- .12 Activities conducted with no formal contractual arrangement, but which meet the definition of a government partnership set out in paragraph PS 3060.06, are in substance government partnerships for the purposes of this Section.
- .13 The contractual arrangement establishes shared control over the government partnership. Such a requirement ensures that no single partner is in a position to control the activities of the government partnership unilaterally. The arrangement identifies those decisions in areas essential to the goals of the government partnership that require the consent of all the partners and those decisions which may require the consent of a specified majority of partners.
- .14 The contractual arrangement may be evidenced in a number of ways, for example, by a contract between the partners or minutes of discussions between the partners. In some cases, the arrangement is incorporated in the enabling legislation, articles or other by-laws of the government partnership. Whatever its form, the contractual arrangement is usually in writing and deals with such matters as:
 - (a) the activity, duration and reporting obligations of the government partnership;
 - (b) the appointment of the board of directors or equivalent governing body of the government partnership and the voting rights of the partners;
 - (c) the financial investments by the partners; and
 - (d) the sharing by the partners of the output, revenues, expenses or surpluses or deficits of the government partnership.
- .15 In some cases, the contractual arrangement may designate a partner, or an outside party or parties, as the manager or operator of the government partnership. The manager does not control the government partnership, nor does the manager exercise shared control with the partners solely by virtue of his or her management role. Rather, the manager acts within the financial and operating policies that the partners have prescribed.
- .16 A government may incorporate regulations in any contractual arrangement it enters into (e.g., level of service, level of maintenance of an asset that may be returned to it at the end of a set term). Governments regulate a variety of activities with which they have no ongoing operational involvement. As such, regulations in and of themselves do not constitute shared control.

Significant clearly defined common goals

- .17 Common goals are those that all partners share. For example, a number of communities may join together to build and operate a landfill site or a recreational facility. The significant common goals of the communities involve service provision and sharing the costs and revenues associated with the operations of the facility, and so, the arrangement would qualify as a government partnership.
- .18 On the other hand, a community may hire an individual or organization to operate a recreational facility for a fee. The significant goals of the government are to provide a service and cost savings, while the significant goal of the management organization is to earn revenues from the contract to manage the facility. While the significant goals of each party are mutually beneficial, they are not common to both parties to the contract, and so, the arrangement does not qualify as a government partnership.

Financial investment

- .19 A financial investment may be in the form of assets and/or assuming responsibility for ongoing operating costs. The investment of financial assets and tangible capital assets in the government partnership would be accounted for in accordance with paragraphs PS 3060.41-.54. The value assigned to the responsibility for ongoing operating costs would be that determined in the contractual arrangement for the government partnership.

Shared control

- .20 Shared control of a government partnership means that the partners make decisions related to the financial and operating activities of the government partnership on an ongoing basis based on the terms of the contractual arrangement; none of the partners is in a position to exercise unilateral control over the government partnership. When there is shared control, partners have an active ongoing interest or relationship in the arrangement other than as passive investors or as parties to a purchase / sale transaction. Shared control would exist, for example, when a joint board is established to oversee the provision of police or fire protection services for a number of local governments.

Shared risks and benefits

- .21 In a government partnership, each partner is exposed to a share of the combined risks and shares in the benefits related to the common goals of the government partnership. In a government partnership, there must be an equitable sharing among the partners of the significant risks and benefits. For example, the government partners may operate a landfill site to provide a service to their constituents on a shared cost basis. The partners would generally share the operating and environmental risks, as well as the revenues associated with operating the landfill site.
- .22 Risks and benefits would not be considered to be equitably shared in an arrangement where the government retains the full risk of owning an asset while allowing another party to receive the benefit of earning revenue from user fees derived from that asset. Risks and benefits would not be equitably shared when, for example, a government owned a highway that it allowed a private sector organization to operate and earn revenues from, based on the agreement and any necessary legislation.

PS 3060.29-.35 - Accounting for the government's interest

Government partnerships other than government business partnerships

- .29 Government financial statements should recognize the government's interest in government partnerships, except for government business partnerships, using the proportionate consolidation method.
- .30 Governments may enter into government partnerships that are similar to governmental units 5 except for the extent of government control — the government shares control of the government partnership with its partners, while it controls the governmental unit. Governmental units are government organizations that carry out government activities that are integral to a government's operations in directly performing its executive function and are consolidated in the government's financial statements under GOVERNMENT REPORTING ENTITY, Section PS 1300. Government partnerships that carry out similar activities to governmental units would be accounted for using proportionate consolidation.
- .31 Proportionate consolidation of such government partnerships provides financial statement users with the same sort of information about the financial position and results of operations of the government as would be available if the government managed the resources and operations through a governmental unit. Proportionate consolidation also reflects the level of activities (e.g., costs and revenues) on the government's statement of operations, the financial resources available, and the risks to which the government is exposed for such activities.

Government business partnerships

- .32 Government business partnerships should be accounted for by the modified equity method applied using the government's share of the government business partnership.
- .33 Governments may enter into government business partnerships that are similar to government business enterprises ⁶ except for the extent of government control. Such government partnerships may also carry out similar activities to government business enterprises. A government business partnership differs from other government partnerships in its relationship to the government, and its objectives and operations. A government business partnership represents a financial asset of the government and given its autonomy, business-oriented objectives, and financial self-sufficiency, ⁷ equity accounting is appropriate. Consistent with GOVERNMENT REPORTING ENTITY, Section PS 1300, for government business enterprises, the modified equity method is the most suitable form of equity accounting for government business partnerships.
- .34 Accounting for government business partnerships by the modified equity method avoids commingling the budget and actual results of government business partnerships on a line-by-line basis with those of government activities having different objectives. It also avoids including the government's share of the gross debt of government business partnerships with the gross debt of other government organizations, as the government business partnerships are expected to repay that debt from their own revenues.

- .35 The modified equity method supplemented with disclosure of condensed financial information gives financial statement users an informative accounting of the full nature and extent of the financial affairs and resources of those government business partnerships. It provides a measure of the impact that government business partnerships may have on a government's ability to discharge its liabilities or to provide financial resources for future operations.

PS 3210, Assets [effective for annual periods beginning on or after April 1, 2017, early application permitted]

PS 3210.03-.05 Assets

- .03 **Assets** are economic resources controlled by a public sector entity as a result of past transactions or events and from which future economic benefits are expected to be obtained.
- .04 Assets have three essential characteristics:
- (a) They embody future economic benefits that involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows.
 - (b) The public sector entity can control the economic resource and access to the future economic benefits.
 - (c) The transaction or event giving rise to the public sector entity's control has already occurred.
- .05 Economic resources are not assets unless they meet the three characteristics of assets.

PS 3210.06-.10 Economic resources

- .06 Economic resources embody value because they enable an entity to meet its objectives, such as the provision of public goods and services, redistribution of wealth, generation of cash inflows or reduction of cash outflows.
- .07 To embody value as an economic resource, there must also be some restriction on its availability. For example, the air we breathe generally cannot be an economic resource unless access to it is restricted.
- .08 Economic resources can arise from, but are not limited to, the following:
- (a) contracts or agreements (for example, accounts receivable and leases);
 - (b) another government's legislation (for example, transfers receivable);
 - (c) government's own legislation (for example, taxes, fines and penalties);
 - (d) voluntary contributions (for example, donations); or

- (e) construction and development (for example, roads).
- .09 Economic resources can be:
 - (a) financial in nature (for example, cash, accounts receivable and investments); or
 - (b) non-financial in nature (for example, tangible capital property, prepaid items and inventories of supplies).
- .10 Without an economic resource, future economic benefits cannot be obtained. For example, a fire truck (the economic resource) needs to exist before it can provide fire suppression services (the future economic benefits).

PS 3210.11-.15 Future economic benefits

- .11 The essence of assets are their future economic benefits. Assets embody future economic benefits that allow public sector entities to achieve their objectives. The future economic benefits embodied in assets involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows or to reduce cash outflows.
- .12 Often the public is the beneficiary of the goods and services provided by a public sector entity. For example, assets such as fire trucks are used to provide fire suppression services to the public. Hospital buildings and medical equipment are used to provide health care services. Parks, schools and libraries provide recreational, educational and research opportunities to the public. Water treatment plants provide goods, such as potable water. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services. This benefit is different from the benefit that the public receives.
- .13 The future economic benefits embodied in an asset may also be in the form of generating future cash inflows. Cash inflows benefit the public sector entity because cash can be used to purchase or to provide goods and services, redistribute wealth or settle liabilities. Benefits in the form of cash inflows relate to resources, such as loans receivable, inventory for resale and portfolio investments. Also, some public sector resources generate cash inflows because they have user fees associated with them.
- .14 The future economic benefits may also take the form of a capacity to reduce cash outflows. For example, this may be the case when betterment of a tangible capital asset reduces the cost of providing goods and services.
- .15 There is a close association between incurring a cost and the generation of an asset. However, not all costs result in a future economic benefit. For example, costs incurred to maintain the current service capacity of an asset do not provide a future economic benefit. Also, a public sector entity may obtain an asset without incurring costs. For example, items that have been donated to the public sector entity may provide that entity with future economic benefits and, hence, satisfy the definition of assets.

PS 3210.16-.21 Control

- .16 A public sector entity controls the economic resource and access to the future economic benefits when it:
 - (a) can benefit from the economic resource through its capacity to provide goods and services, to provide future cash inflows or to reduce cash outflows;
 - (b) can deny or regulate access to those benefits by others; and
 - (c) is exposed to the risks associated with the economic resource.
- .17 An entity that controls an economic resource has the ability to benefit from the economic resource. For example, a recipient of a transfer benefits from the transfer as it can use the transfer to provide goods or services.
- .18 An entity that controls an economic resource has the ability to deny or regulate access to the future economic benefits associated with the economic resource by others. For example, an entity controlling a bus has the ability to deny or regulate access to the related transportation services.
- .19 An entity that controls an economic resource is exposed to the risks associated with the economic resource. For example, the entity may hold an investment, the value of which may decline and result in a loss.
- .20 Some economic resources are subject to certain external restrictions that specify the purpose(s) for which resources are to be used. For example, there may be external restrictions imposed on the public sector entity's own assets, as is the case with some sinking fund investments. Such restrictions on the use of an economic resource do not negate the public sector entity's control of the economic resource.
- .21 Although control may be seen as applying to an asset as a whole, the concept can also be applied to individual rights related to the asset. For example, a single leased asset embodies different economic benefits. It may give the lessee the right to use the property and the lessor the right to receive rents and any residual value. Thus, both parties may have assets corresponding to their respective rights.

PS 3320, Contingent Assets [effective for annual periods beginning on or after April 1, 2017, early application permitted]

PS 3320.03 Definition

- .03 Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

PS 3320.04 - .07 Characteristics of contingent assets

- .04 Contingent assets are distinct from assets because they are characterized by the uncertainty related to the existence of an asset at the financial statement date.
- .05 Contingent assets usually arise from unplanned or unexpected events that lead to an existing condition or situation the outcome of which is uncertain. The outcome or resolution of the condition or situation after the financial statement date will confirm whether an asset exists.
- .06 Contingent assets have two basic characteristics:
 - (a) An existing condition or situation that is unresolved at the financial statement date.
 - (b) An expected future event that will resolve the uncertainty as to whether an asset exists.
- .07 The mere fact that an estimate of an amount is involved (measurement uncertainty) does not, in and of itself, constitute the type of uncertainty that characterizes a contingent asset. For example, even though there may be measurement uncertainty related to income tax receivable, there is nothing uncertain about the fact that this asset exists. Any uncertainty is related solely to the amount thereof.

Existing condition or situation

- .08 For a contingent asset to be present, there usually is an unplanned or unexpected event leading to an existing condition or situation where the evidence indicates that a public sector entity may have an asset. For example, a public sector entity may have incurred an unexpected loss and there is sufficient evidence for potential recovery. The potential for recovery constitutes the existing condition or situation giving rise to a possible asset. It is a possible asset because of the uncertainty around recovery and it is only a future event that will confirm whether an asset exists.
- .09 Passing legislation that has retroactive application after the financial statement date cannot create an existing condition or situation at the financial statement date. Further, elected or public sector entity officials may announce public sector entity intentions in a period following the financial statement date but before the completion of the financial statements. If a condition or situation did not exist at the date of the financial statements, there is no contingent asset. However, there may be a subsequent event.

Confirming future event

- .10 For a contingent asset to exist, there must also be an expected confirming future event that will resolve the uncertainty. The expected confirming future event provides additional information as to whether a public sector entity had an asset at the financial statement date. The confirming future event does not create an asset – it only proves or disproves its existence at the financial statement date.
- .11 The future confirming event cannot be wholly within the control of the public sector entity. For example, when a public sector entity is involved in a lawsuit, the future confirming event (the resolution of the lawsuit) is not within the control of that public sector entity.

PS 3250, Retirement Benefits

PS 3250.17 Components of the retirement benefit liability

.017 The components of the retirement benefit liability are:

- (a) accrued benefit obligation including the effects of plan amendments, settlements and curtailments;
- (b) plan assets, if any; and
- (c) unamortized actuarial gains and losses.

PS 3250.50-.59 Limit on the carrying amount of an accrued benefit asset

.050 An accrued benefit asset should be presented on a government's statement of financial position net of any valuation allowance. When a defined benefit plan gives rise to an accrued benefit asset, a government should recognize a valuation allowance for any excess of the adjusted benefit asset over the expected future benefit. A change in valuation allowance should be recognized in the statement of operations for the period in which the change occurs.

.051 A government with a defined benefit plan may have an accrued benefit asset for accounting purposes. An accrued benefit asset arises when the government's total contributions to the plan, including interest earned thereon, are greater than the retirement benefit expense recognized since the start of the plan. Contributions reflect the funding objectives of the plan. The benefit expense reflects the accounting objectives and may differ for a number of reasons, including the fact that actuarial gains and losses are deferred and amortized in future periods.

.052 A government may benefit from an accrued benefit asset either by withdrawing surplus assets or by taking a contribution holiday or receiving a refund of contributions. The accrued benefit asset may become impaired when there is a plan surplus for accounting purposes that the government is not entitled to benefit from fully. For example, there may be a regulatory moratorium on pension surplus withdrawals or uncertainties as to a government's legal right to use a plan's accounting surplus.

.053 To determine the extent to which an accrued benefit asset may be impaired, the government first determines the adjusted benefit asset. The adjusted benefit asset is the accrued benefit asset less net unamortized actuarial losses (determined on a basis using market value of assets).

.054 The adjusted benefit asset is then compared to the expected future benefit. When the expected future benefit exceeds the adjusted benefit asset, the accrued benefit asset is not impaired and, accordingly, no valuation allowance is required. The chart included as Appendix A to this Section is intended to set out the relationship between the various defined terms.

- .055 The objective of the standard in paragraph PS 3250.050 is to limit a government's accrued benefit asset to the amount it can realize in the future. The expected future benefit is a calculated amount representing the benefit a government expects to realize from a plan surplus. An expected future benefit includes any withdrawable surplus or reduction in future contributions.
- .056 A government determines its expected future benefit as the sum of:
- (a) the present value of its expected future accruals for service for the current number of active employees, less the present value of required employee contributions and minimum contributions the government is required to make regardless of any surplus; and
 - (b) the amount of the plan surplus that can be withdrawn in accordance with the existing plan and any applicable laws and regulations.
- .057 A government's expected future accruals for service for the current number of active employees are determined on a basis consistent with that used to determine its accrued benefit obligation. These expected future accruals for service, less required employee contributions and minimum contributions the government is required to make regardless of any surplus, are then discounted back to the current period to determine the present value. The interest rate used to calculate this present value is the expected rate of return on plan assets used to determine the benefit expense in the period.
- .058 When administration expenses are paid by the plan and included in the normal cost calculation, a best estimate of the future administration expense is included in the expected future accruals for service. When administration expenses are paid by the plan and not included in the normal cost calculation, the rate of return on plan assets is adjusted to reflect the deduction of the administrative expenses.
- .059 A key factor in determining a government's expected future benefit from a defined benefit plan with a plan surplus for accounting purposes is the ability of the government to withdraw assets from the plan. The expected future benefit includes amounts to which a government has a legally enforceable right of withdrawal. It excludes any withdrawable plan surplus a government is currently required, or intends, to allocate to employees. A government may not anticipate obtaining a legally enforceable right to withdraw a portion of a plan surplus to which it is not currently entitled, whether on the basis of precedent or otherwise. Accordingly, when withdrawal of plan surplus requires the approval of employees or an appropriate regulatory authority or a court of law, a government excludes any amount subject to this restriction from its expected future benefit until such approval has been obtained. A change in the allocation of surplus between a government and its employees is incorporated into the calculation of the expected future benefit only when it has been agreed to and, when required, approved by the appropriate regulatory authorities.

PS 3250.79-.82 Joint defined benefit plans

- .079 Governments may participate jointly in defined benefit plans where the government shares the risks and rewards jointly with plan participants, represented by a sponsor or sponsors. Joint defined benefit plans are governed by a formal agreement between the sponsors, which establishes that the sponsors have shared control over the plan. A governing board is generally appointed by the joint sponsors with equal representation and a mutually agreed-upon chair.
- .080 A government would consider the characteristics of the plan to determine whether it meets the definition of a joint defined benefit plan. In a joint defined benefit plan, funding contributions are shared mutually between the government and the plan members. The sponsors have control over decisions related to the administration of the plan and the level of benefits and contributions on an ongoing basis based on the terms of the contractual agreement. The sponsors share, on an equitable basis, the significant risks associated with the benefit plan. Risk would not be considered to be equitably shared in an arrangement where the government and the joint sponsors fund the plan equally but where the government retains the full risk of the accrued benefit obligation. If the government retains the residual risks it is unlikely that the plan meets the definition of a joint defined benefit plan.
- .081 When a government participates in a joint defined benefit plan, the government's risk is limited to its portion of the plan. The government should account for its portion of the plan in accordance with the standards for defined benefit plans.
- .082 A government may convert an existing defined benefit plan for which it is the sole sponsor to a joint defined benefit plan where the risks and benefits are shared. When converting to a joint plan, a government would consider whether there are any special accounting issues that arise, including whether the predecessor plan has been settled or partially settled and/or curtailed or partially curtailed. In assessing such issues a government would have regard to its specific circumstances and the terms of the joint defined benefit plan.

PS 3250.GLOSSARY (select definitions)

An **accrued benefit asset** is the amount of any asset recognized on a government's statement of financial position in respect of employee retirement benefits before deducting any valuation allowance that may be required. It is the sum of the government's accumulated cash contributions less the sum of the current and prior years' benefit expenses (before any change in the valuation allowance).

An **accrued benefit obligation** is the value of retirement benefits attributed to services rendered by employees and former employees to the financial statement date.

Actuarial gains and losses are changes in the value of the accrued benefit obligation and the plan assets resulting from:

- (a) experience different from that assumed; or
- (b) changes in an actuarial assumption.

An **actuarial valuation for accounting purposes** is an assessment of the financial status of a benefit plan. It consists of the valuation of assets held by the plan and calculation of the actuarial present value of benefits to be paid under the plan. The valuation provides the information needed to determine the retirement benefit liability and related expenses in accordance with this Section.

An **actuarial valuation for funding purposes** is an assessment of the financial status of a benefit plan. It consists of the valuation of assets held to discharge the benefit liability and calculation of the actuarial present value of benefits to be paid under the plan. The valuation results in a calculation of the required future contributions and a determination of any gains or losses since the last valuation.

An **adjusted benefit asset** is an accrued benefit asset less the amount, if any, by which the aggregate of any unamortized actuarial losses exceeds the aggregate of any unamortized actuarial gains.

The **expected future benefit** is a calculated amount representing the benefit a government expects to realize from a plan surplus. An expected future benefit includes any withdrawable surplus or reduction in future contributions. A government determines its expected future benefit as the sum of:

- (a) the present value of its expected future accruals for service for the current number of active employees, less the present value of required employee contributions and minimum contributions the government is required to make regardless of any surplus; and
- (b) the amount of the plan surplus that can be withdrawn in accordance with the existing plan and any applicable laws and regulations.

A **joint defined benefit plan** is a contractual arrangement between the government and another sponsor or sponsors representing plan participants that has all of the following characteristics:

- (a) the sponsors co-operate toward achieving the significant clearly defined common goal of providing retirement benefits in exchange for services rendered by the employees;
- (b) funding contributions are shared mutually between the government and the plan members, represented by the non-government sponsor;
- (c) the sponsors share control of decisions related to the administration of the retirement benefit plan and to the level of benefits and contributions on an ongoing basis; and
- (d) the significant risks associated with the retirement benefit plan are shared on an equitable basis between the government and the plan members, represented by the non-government sponsor.

The contractual arrangement establishes that the sponsors have shared control over the retirement benefit plan, and ensures that neither party is in a position to control the plan unilaterally. Nevertheless, overall, there must be an equitable relationship between the funding by the government of the retirement benefit plan, the extent of control it is able to exercise over the plan and the risks and benefits that accrue to the government from the plan.

A **multiemployer plan** is a defined benefit plan to which two or more governments or government organizations contribute, usually pursuant to legislation or one or more collective bargaining agreements. The main distinguishing characteristic of a multiemployer plan is that the contributions by one participating entity are not segregated in a separate account or restricted to provide benefits only to employees of the entity and, thus may be used to provide benefits to employees of all participating entities.

A **plan asset** is an asset segregated and restricted in a trust or other legal entity separate from the reporting government to provide for retirement benefits under the following conditions:

- (a) the assets in the separate entity are to be used only to settle the related accrued benefit obligation, are not available to the government's own creditors, and either cannot be returned to the government or can be returned to the government only if the remaining assets of the trust are sufficient to meet the plan's obligations; and
- (b) to the extent that sufficient assets are in the separate entity, the government will have no obligation to pay the related retirement benefits directly.

For purposes of this Section, plan assets do not include amounts held by the government and not yet paid into the trust or other legal entity.

The **retirement benefit liability** is the amount of any liability recognized on a government's statement of financial position in respect of retirement benefits. It is the sum of the current and prior years' benefits expenses less the government's accumulated cash contributions.

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