

2024 Public Sector Accounting Standards

A Guide for Municipalities

September 2024

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Introduction

The Public Sector Accounting Standard Board (PSAB) issued the following Public Sector Accounting Standards (PSAS) that will take effect for fiscal years beginning on or after April 1, 2023:

- PS 3160 Public Private Partnership
- PS 3400 Revenue
- PSG-8 Purchased Intangibles

For municipalities in Saskatchewan, these standards are applicable beginning on January 1, 2024. A few note disclosures and a few rows were added to the 2024 financial statements template to reflect the new standards.

This guide is prepared by the Government of Saskatchewan as a high-level summary of the new public sector accounting standards to provide municipal administrators/clerks guidance in preparing their annual financial statements. Sample disclosures have been added to the 2024 financial statements template. The template can be found on the Government of Saskatchewan's website linked [here](#).

This guide is not intended to substitute the full extent of the requirements of the new public sector accounting standards contained in the CPA Canada Public Sector Accounting Handbook. Therefore, municipalities are advised to consult with their appointed auditors to assess and determine the applicability of the new sections to their annual financial statements.

Public Sector Accounting Standard Effective 2024

PS 3160 Public Private Partnership

This section defines public private partnerships and establishes disclosure requirements for the partnership.

What is a Public Private Partnership?

Public private partnerships (P3s) are an alternative financing and procurement model available to public sector entities. It is a partnership between public and private sector entities where the public sector entity procures infrastructure using a private sector partner while maintaining control. The private sector partner's obligations include requirements to:

- a) Design, build, acquire or better new or existing infrastructure.
- b) Finance the transaction past the point where the infrastructure is ready for use.
- c) Operate and/or maintain the infrastructure.

The term "infrastructure" typically includes items such as tangible capital assets but may also include items that are intangible in nature.

Examples of transactions where a municipality may enter a P3 arrangement could include construction and maintenance of a new road or bridge, provision of waste management services or development of a new community center.

Related definitions

Predetermined service payments refer to the availability payments, unitary payments or any other predetermined set of payments specified in a P3 arrangement involving financial consideration:

- These scheduled payments would be made by the public sector entity to the private sector partner.
- They would reflect the costs of the infrastructure assets, planned betterments, financing, operating and/or maintenance costs, as applicable. These payments may or may not be separated into their respective components representing the different aspects of the agreement.

The **financial liability model** refers to a type of P3 agreement where the private sector partner designs, builds, finances, operates and/or maintains infrastructure in exchange for a contractual right to receive cash or other financial assets. A liability resulting from this model is a financial liability.

For example, the private sector partner designs, builds, and operates a waste facility in exchange for a contractual right to receive a fixed amount of money from the municipality over a set period of time. The private sector partner is responsible for financing the construction and operation of the facility, and the municipality is responsible for paying the agreed-upon amount. A financial liability in this case would be the obligation of the municipality to pay the agreed-upon amount to the private sector partner on a regular basis. This model allows the municipality to outsource the management of its waste to a private partner while still maintaining some level of control over the process and ensuring the facility meets certain standards.

The **user-pay model** refers to a type of P3 arrangement where the private sector partner designs, builds, finances, operates and/or maintains infrastructure in exchange for a right to charge end users. The public sector entity compensates the private sector partner by granting rights to earn revenue from third-party users or access to another revenue-generating asset. A liability resulting from this model is a performance obligation.

For example, a public-private partnership for water and sanitation services. The private sector partner designs, builds, and operates the water treatment plant and distribution system in exchange for the right to charge customers for the services provided. The public sector entity compensates the private sector partner by granting rights to earn revenue from the fees collected. A performance obligation, in this case, would be the requirement for the private sector partner to provide a certain level of service and ensure the water meets certain quality standards.

What does this section apply to?

This section applies to public private partnerships meeting the below criteria:

- a) That are between a public sector entity and a private sector partner for infrastructure-project delivery.
- b) Have risk allocation that provides for public sector control of the asset at any point during the arrangement.
- c) The private sector partner satisfies all the obligations noted above (1. design, build, acquire or better new or existing infrastructure, 2. finance the transaction past the point where the infrastructure is ready for use, 3. operate and/or maintain the infrastructure).

What information is required to be disclosed?

A public sector entity should disclose the following information related to a public private partnership:

- a) Significant terms of the arrangement that may affect the amount, timing and uncertainty of future cash flow payments.
- b) Key rights and obligations for the public sector entity and private sector partner under the arrangement, examples include but are not limited to:
 - renewal options
 - termination options
 - rights to receive assets at the end of the arrangement
 - obligations to provide the private sector partner access
 - rights granted to the private sector partner
- c) The accounting policy used by the public sector entity in accounting for public private partnerships, including the key assumptions and basis for any estimation techniques used.
- d) Changes in the terms of the public private partnership arrangement occurring during the reporting period.

Key assumptions - Further, it is important to provide the financial statement users with information describing the key assumptions and basis for any estimation technique used, and significant assumptions used in measuring the infrastructure asset and liability.

One such assumption is the discount rate applied. Where an alternative discount rate is used to reflect the financing charge embedded in the financial liability model, disclosure should include an explanation of why the prescribed discount rates were determined unavailable for an arrangement.

It is important to note that public private partnership disclosure requirements **may overlap** with the disclosure requirements of existing accounting standards, including but not limited to:

- Infrastructure disclosures may overlap with those required by PS 3150 Tangible Capital Assets.
- Financial consideration and financial liabilities disclosures may overlap with those required by PS 3230 Long-Term Debt and PS 3450 Financial Instruments.
- Non-financial consideration disclosures may overlap with those required by PS 3400 Revenue.
- Operating and maintenance costs disclosures may intersect with those required by PS 3300 Contingent Liabilities, PS 3380 Contractual Rights and PS 3390 Contractual Obligations.

Professional judgment is required to determine the location in the notes for disclosures that would provide the most understandable overview of a public sector entity's P3 for financial statements users.

Transitional Provisions

This section may be applied retroactively or prospectively as follows:

- a) Prospectively:
 - For an infrastructure asset and related liability where control by the public sector entity over the infrastructure asset (such as acquisition, construction, or betterment to existing infrastructure) arose on or after the first day of the calendar year, the standard is applicable for (January 1, 2024).
- b) Retroactively with or without prior period restatement:
 - For an infrastructure asset and related liability where control by the public sector entity over the infrastructure arose prior to the first day of the calendar year, the standard is applicable for (January 1, 2024), and the asset and related liability has not been previously recognized.
- c) Retroactively with or without prior period restatement:
 - For an infrastructure asset and related liability where control by the public sector entity over the infrastructure asset arose prior to the first day of the calendar year the standard is applicable for (January 1, 2024), and the previously recognized asset and related liability requires adjustment in applying this section.

Appendix A includes a decision tree that illustrates how to determine whether a transaction is within the scope of the application of the public private partnerships guidance.

Appendix B provides some common examples to illustrate how certain aspects of the guidance are applied in practice.

Sample disclosure(s)

Refer to Note 1 – Significant Accounting Policies and Note 27 – Public Private Partnerships in the 2024 financial statement template for sample disclosures to be included where applicable.

E.g.: See Note 27 from the 2024 FS Template below:

27. Public Private Partnerships:

[Only applicable if the municipality has entered into a P3 Partnership]

The [municipality] has entered into a public private partnership with [consider the name of party]. Significant terms of the agreement are as follows; [insert details about the agreement to the extent that they detail the amount, timing and uncertainties associated with future cashflows]. Under this agreement, key rights and obligations of the municipality are [detail the rights and obligations of the municipality under the agreement]. Key rights and obligations of [private organization name] are [detail the rights and obligations of the private sector party under the agreement].

An asset has been recognized on the face of the statements in order to account for the [describe the nature of the asset recognized]. An infrastructure liability has also been reflected in the statements to account for the [describe the nature of the liability recognized]. During the [current reporting period], [detail any changes in the terms of the agreement that occurred during the reporting period].

Required assumptions made pertain to (include as applicable) the basis of recognition, discount rate and [insert others as applicable]. [Insert basis for the underlying assumptions made].

[Disclose any other key components of the agreement such as renewal options, termination options, rights to receive assets, access obligations and rights granted to the partner].

PS 3400 Revenue

This section defines revenue and establishes standards on how to account for and report on revenue.

What is revenue?

Revenue, including gains, are increases in economic resources, either by way of increases in assets or decreases of liabilities, resulting from operations, transactions, and events of the accounting period. Note that this standard does not apply to all revenue sources; those that are not applicable are detailed further below. Impacted streams would include examples such as fee and charge revenues for public services.

What revenue is not included in scope?

This section does not apply to:

- Contributions that are voluntary and non-reciprocal in nature.
- A transfer of economic resources from another public sector entity that is accounted for in accordance with PS 3410 Government Transfers.
- Inflow of economic resources that are accounted for in accordance with PS 3510 Tax Revenue.
- Inflows of restricted economic resources that are accounted for in accordance with PS 3100 Restricted Assets and Revenues.
- Interest, dividends and changes in the fair value of financial instruments, including derivatives or their disposal that are accounted for in accordance with PS 3450 Financial Instruments.
- Revenue from restructuring transactions that are accounted for in accordance with PS 3430 Restructuring Transactions.
- Revenue from investments in partnerships that are accounted for in accordance with PS 3060 Interests in Partnerships.
- Revenue from investments in government business enterprises that are accounted for in accordance with PS 3070 Investments in Government Business Enterprises.

This section also does not apply to transactions within the scope of Section PS 3380 Contractual Rights, or PS 3390 Contractual Obligations.

Related Definitions

Exchange transactions are transactions where goods or services are provided to a payor for consideration. These transactions include performance obligations for a public sector entity arising directly from a payment or promise of consideration by a payor. These transactions are not necessarily exchanges of fair or equal value.

Non-exchange transactions are transactions or events where there is no direct transfer of goods or services to a payor.

Performance obligations are enforceable promises to provide specific goods or services to a specific payor.

Transaction price is the amount of consideration a public sector entity expects to receive in exchange for promised goods or services to a payor.

What is the difference between previous revenue standards and the updated PS 3400 Revenue standard?

The updated standard differentiates specifically between revenue arising from transactions that include performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions).

An example of an exchange transaction for a municipality would be the sale of water to a customer, in which the municipality has an enforceable promise (performance obligation) to provide clean, potable water in exchange for payment from the customer. While an example of a non-exchange transaction for a municipality could be fines or penalties levied by the municipality. In this case, the municipality receives funding without any obligation to provide goods or services in return.

What is the relationship between contractual obligations or contractual rights and revenue?

A transaction or event of the accounting period may initially represent a contractual obligation or a contractual right in accordance with PS 3390 Contractual Obligations or PS 3380 Contractual Rights. However, the transaction or event could eventually result in revenue, which will be accounted for in accordance with this section when a revenue or liability actually occurs.

What is required to be disclosed?

It is important to state a clear and concise description of all significant accounting policies that have been selected and applied.

If there is measurement uncertainty affecting the measurement of revenue recognized, it should be disclosed in the financial statements in accordance with PS 2130 Measurement Uncertainty.

Sufficient information should be provided in the financial statements in order for users to understand the nature and terms of the various revenue sources. For example, significant judgments are required to identify performance obligations, determine the transaction price and allocate it to performance obligations, and determine when performance obligations are satisfied.

A public sector entity should disclose:

- a) Disaggregated revenues reported on the Statement of Operations by source and type, with separate disclosure of revenue that is not related to recurring activities.
- b) Typical performance obligations and the methods and policies that apply when recognizing revenues.
- c) The nature and amount of continuing performance obligations grouped by category of similar transactions.

In addition, disclosures are required when:

- a) The entity has the information necessary to record the transaction but does not expect to collect payments; the disclosure of the amounts is required.
- b) In circumstances where the terms of the arrangement include significant concessionary terms so that all or a part of the transaction is concessionary in nature, the original amount of the transaction price should be disclosed.

Transitional Provisions

This section may be applied retroactively or prospectively. If retroactive application is selected, comparative statements will need to be restated. Note that the election must be made for revenues as a whole, as opposed to on a transactional basis.

Appendix C provides an overview of the differences between exchange transactions and non-exchange transactions regarding revenue recognition.

Appendix D provides some common examples to illustrate how the accounting treatment specified in PS 3400 Revenue might be applied in particular situations.

Sample Disclosure(s)

Refer to Note 1 – Significant Accounting Policies and Note 28 - Revenue in the 2024 financial statement template for sample disclosures to be included as relevant.

E.g.: See Note 28 from the 2024 FS Template below:

28. Revenue

If applicable, disclose collection uncertainties associated with revenues:

The municipality has entered into a contract with [payor] to [details of contract]. The municipality does not expect to collect payments contractually owed in the amount of \$[amount].

If applicable, disclose significant concessionary terms associated with revenues:

The municipality has entered into a contract with [payor] to [details of contract]. The original amount of the transaction price associated with this contract was \$[amount]. Significant concessionary terms inclusive in this contract are [insert description of concessionary terms].

PSG-8 Purchased Intangibles

This section defines purchased intangibles and includes specific guidance relating to what does not constitute such. It also provides a list of standards that should be considered when determining the appropriate accounting of a purchased intangible.

What are purchased intangibles?

Purchased intangibles are identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Examples of purchased intangibles include licenses, trademarks and film and television rights.

What are not included in purchased intangibles?

Intangibles acquired through a **transfer, contribution or inter-entity transaction** are not purchased intangibles.

Transitional Provisions

Applying the requirement to recognize in financial statements purchased intangibles that meet the definition of an asset and the recognition criteria is effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is encouraged.

Application may be retroactive or prospective. If retroactive application is selected, comparative statements will need to be restated.

Sample Disclosure(s)

Consistent with the current classification of software as a non-financial asset, purchased intangibles recognized as assets are normally classified as non-financial assets. No specific additional disclosure requirements are outlined in the accounting guideline.

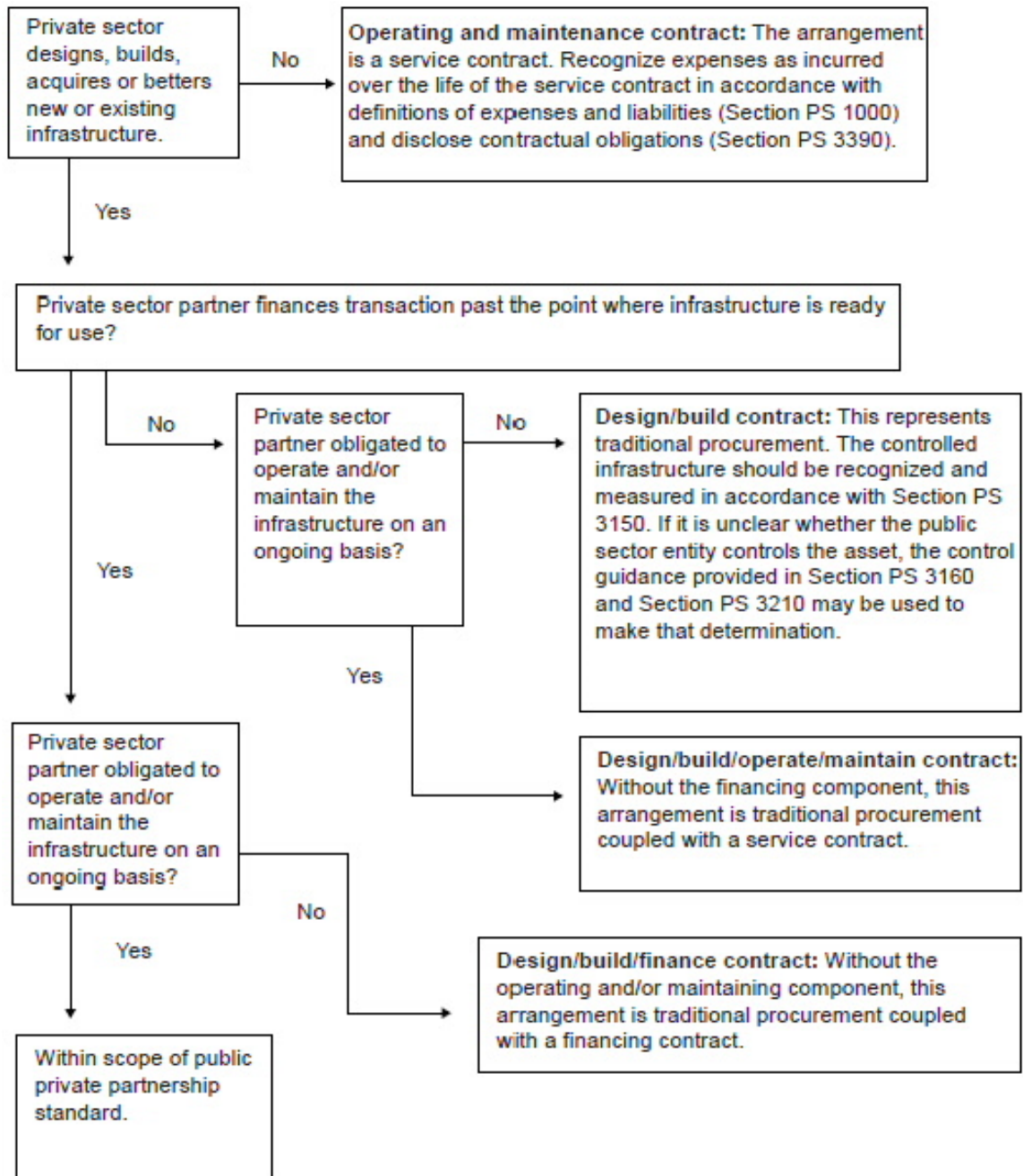
Resources

- CPA Canada Public Sector Accounting Handbook
- “Section PS 3400 – Revenue”, IAS Plus, <https://www.iasplus.com/en-ca>

Appendices

Appendix A: Decision Tree for Public Private Partnership

This decision tree has been prepared to clarify what transactions are within the scope of public private partnership and what transactions are not. It is illustrative only. Matters of principle relating to particular situations should be reviewed in the context of PS 3160 Public Private Partnerships.



Appendix B: Illustrative Examples of Public Private Partnerships

This material is illustrative only. Matters of principle relating to particular situations should be evaluated on a case-by-case basis with the guidance provided in PS 3160 Public Private Partnerships.

Control Criteria Applied – A new community recreation centre

Situation:

The municipal government enters a 25-year arrangement with a private sector consortium to design, build, finance, operate and maintain a new community recreation centre. Note that there are no predetermined service payments. The estimated useful life of the community centre is 40 years.

Under the arrangement:

- The community recreation centre must provide free and full access to the general public every morning and evening (at pre-determined specific times).
- Outside of public hours (every afternoon), the private sector may run private activities or events with fees per visit.
- At the end of the arrangement, the community centre will become the legal property of the municipal government.

Key facts to look for (analysis):

It must first be determined whether the government controls the recreation center. In order to determine control, who ultimately controls the purpose and use of the center must be analyzed.

When assessing which party has this ability, the below include key considerations that should be made:

- Who has control over the purpose and use of the asset?
 - The government designed the specifications of the centre and seems to be able to control both the purpose and user-base of such for the majority of operating hours.
- Whether the government has access to the associated future economic benefits:
 - The government can be seen to have access to the associated future economic benefits. At the end of the term, it will have full control over the centre's use. At such time it could elect to continue earning revenues by either running more classes or by selling the centre. Furthermore, during the initial 25-year term, it has the ability to generate revenues during most of the time open (morning and evening vs. simply afternoons). Even if classes are free, the argument can be made relatively easily that the residents do pay for these services via their taxes.
- The existence of any significant residual interest at the end of the arrangement:
 - The government owns the full interest at the conclusion of the arrangement (which, at 37.5 per cent, is still a fairly large component of aggregate useful life).

Discuss (conclusion):

Based on the above, the government can be conclusively said to have control over the centre in the public private partnership. The arrangement should, therefore, be accounted for accordingly.

User-Pay Model – Example 2 - Toll highway

Situation:

A provincial government enters into a 10-year P3 arrangement with a private sector partner to impose a toll on an existing highway to generate revenues. Under the arrangement:

- The municipal government will compensate the private sector partner 50 per cent of the toll revenue collected for a period of 10 years.
- The municipal government will set the toll rate and has the right to adjust the toll price every year.
- The private sector partner is responsible for installing the additional infrastructure required for the toll to charge the drivers who use the highway.
- At the end of the 10-year P3, the toll-collection system is required to be in good condition and will be handed over to the government, at which time the remaining expected useful life is another 10 years.

Key facts to look for (analysis):

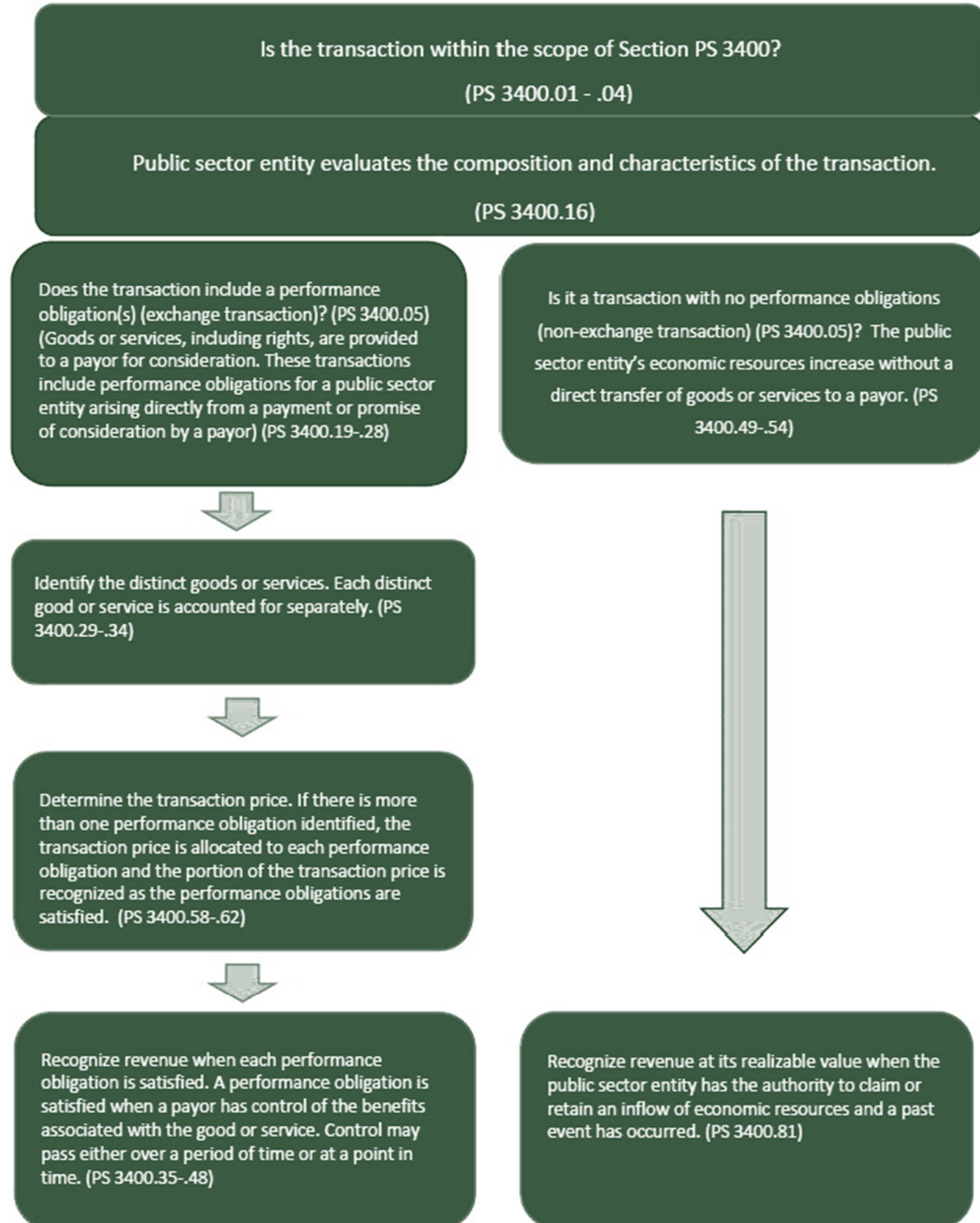
- Does the provincial government have control over the toll highway?
 - The government has the ability to adjust the toll rate, which is the most relevant characteristic of a toll route. This could reasonably be extrapolated to suggest that they have the ability to control its use (the higher the price, the less users theoretically).
- Whether the government has access to the associated future economic benefits:
 - The government has the ability to have full access at the conclusion of the initial agreement term. Until then, while it doesn't have full access, no party has greater access than it does.
- The existence of any significant residual interest at the end of the arrangement:
 - The government receives full ownership upon expiration of the agreement.

Discuss (conclusion):

Based on the above (and the criteria being met), revenues should be recognized in conjunction with a reduction of the corresponding liability under the user-pay model.

Appendix C: Revenue Framework Overview

The following diagram from PS 3400 Appendix B – Framework Overview, illustrates the process to identify the scope of transactions and subsequently assist with recognizing the revenue accordingly.



Appendix D: PS 3400 Revenue - Illustrative examples

This material is illustrative only. Matters of principle relating to particular situations should be decided in the context of PS 3400 Revenue.

Some common performance obligations and related performance obligations are outlined below:

Type of performance obligation satisfaction	Example
Satisfied over a period of time	Parking pass
Satisfied at a point in time	Purchase of municipal land
Multiple performance obligations	Membership fee at a community centre includes a free gym bag
Hybrid transaction	Charity gala ticket (includes food and a donation)
Variable consideration	Early delivery bonus

The following table provides examples of how to determine the appropriate method of revenue recognition for various types of revenues (some of which have been included above).

Situation	Performance Obligations	Distinct Goods or Services	Transaction Price	Revenue Recognition
Parking Pass	A municipal government provides unlimited access to a public parking lot for a fixed duration (e.g., monthly)	Lot access for the purpose of parking the owner's vehicle	Fixed price per period (e.g., \$100/month)	Allocate the transaction price evenly in the period and recognize the amortized amount periodically over time
Purchase of municipal land	Granting ownership of the land to the purchaser upon the completion of payment	The plot of land	A fixed fee for the total plot of land	Recognize revenue once the risks and rewards of ownership have been transferred
Membership fee at a community centre	There are two performance obligations.	Gym bag and access to the	Typically, a monthly fee for a pre-	Allocate a portion of the consideration to the bag and recognize it

includes a free gym bag	The first is to provide the gym bag and the other access to community centre for a fixed period of time	community centre	determined term. (e.g., \$50/month for 24 months)	immediately as it is a separable good. Recognize the remainder periodically as the requirement to provide centre access is provided each billing period is satisfied
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Modification of an arrangement:

Situation:

In circumstances, unexpected additional/reduced goods or services may be required to fulfill a contract. Subsequent to the municipal government receiving the modification request, they must determine the appropriate revised accounting treatment on a go-forward basis.

Key facts to look for (analysis):

A modification only exists when all of the below have been met:

- Whether there is a change in the scope and/or price of the agreement.
- If a change in the scope of the contract has been approved by both parties but the subsequent effect on the aggregate transaction price has not yet been established, the modified provisions only apply when the municipality has determined that not only will it be able to collect payment, but that it has sufficient necessary information to estimate the price of the modification.

Discussion (conclusion):

Assuming the above have all been met, and a modification has been found to exist, the modification should only be accounted for *separately* from the original agreement if both of the below have been met:

- The additional or reduced promised goods or services being promised are distinct.
- The municipality’s right to receive considerations reflects the stand-alone selling price of the additional or reduced promised goods or services, and any appropriate adjustments to those prices are reflective of the circumstances of the agreement.

Note that if a municipality chooses to cancel an existing arrangement, the consideration to be allocated to any remaining performance obligations would be the aggregate of the following:

- The consideration promised because of the modification.
- Unearned revenues received from the payor or any amounts still owing for performance obligations that have not yet been satisfied.