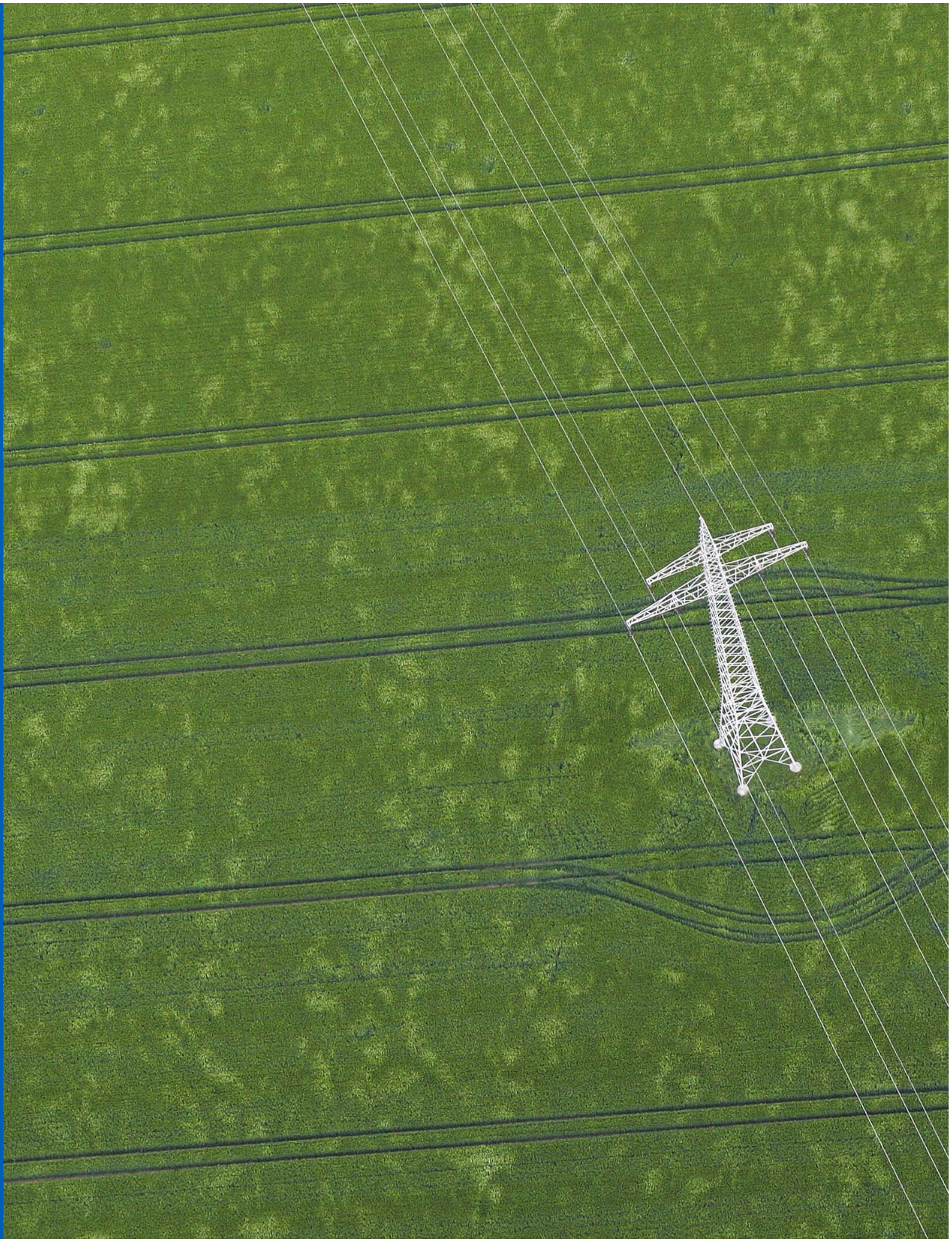
Parkland County

Audit Findings Report
for the year ended
December 31, 2019

KPMG LLP

Prepared for the Council meeting on
April 28th, 2020

kpmg.ca/audit



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Executive summary

Purpose of this report[1]

The purpose of this Audit Findings Report is to assist you, as a member of Council, in your review of the results of our audit of the consolidated financial statements as at and for the year ended December 31, 2019. This Audit Findings Report builds on the Audit Plan we presented on November 5, 2019.

Changes from the Audit Plan

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and dislocating impact. As such, enhanced subsequent events procedures were warranted during our audit.

We also considered the implications of a number of changes to senior leadership at the County and related year end reporting processes that occurred during our audit.

There have been no other significant changes regarding our audit from the Audit Planning Report previously presented to you.

Finalizing the Audit

As of April 28, 2020, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

– Completing our discussions with Council;
– Obtaining evidence of Council's approval of the consolidated financial statements; and
– Obtaining a signed management representation letter.

We will update Council, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures (expected April 20, 2020).

Areas of audit focus

We discussed with you at the start of the audit a number of areas of audit focus:

- Recognition of revenue amounts subject to external restrictions;
- Completeness, existence and accuracy of property assessments and taxation;
- Accuracy and valuation of investments;
- Completeness, existence and accuracy of debt;
- Accuracy and valuation of contributed tangible capital assets;
- Completeness, existence and accuracy of operating costs and accounts payable and accrued liabilities;
- Existence and accuracy of capital expenditures related to approved capital projects;
- Accuracy and valuation of consumable inventory;
- Completeness and accuracy of environmental obligations and other contingencies;
- Completeness and accuracy of salaries and benefits note disclosures; and
- Risk from management override of controls.

These matters have been addressed in our audit.

[1] This Audit Findings Report should not be used for any other purpose or by anyone other than the Council. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Executive summary (continued)

Significant accounting policies and practices

As reported in our audit plan, there are new accounting standards applicable to the County for the year ended December 31, 2019.

- Note 1(l) to the consolidated financial statements describes the adoption of the new accounting standards for the year ended December 31, 2019.
- Note 1(m) to the consolidated financial statements describes future accounting standards which may impact the County's reporting at December 31, 2020 and in future years.

There were not any other changes to significant accounting policies and practices to bring to your attention.

Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

Adjustments and differences

Materiality for fiscal 2019 was set at $2,500,000. We identified one adjustment that was communicated to management and subsequently corrected in the consolidated financial statements. We identified two differences which remain uncorrected which are not considered to be material and does not impact our audit report on the consolidated financial statements of the County.

We proposed certain adjustments with regards to the County's consolidated financial statement disclosures. The most substantive of these changes were accepted by management and included in the consolidated financial statements.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

We have identified other observations we believe may be of interest to Council. None of these observations impact our audit report on the consolidated financial statements of the County.

Additional reporting responsibilities

We have been engaged to report and have reported or will report on the following for the year ended December 31, 2019:

- Parkland County Municipal Financial Information Return (FIR) which is prepared to comply with Section 277 of the Municipal Government Act R.S.A 2000, C.M-26 as amended;
- Local Authorities Pension Plan (LAPP) special reporting;
- APEX special reporting; and
- Family and Community Support Services (FCSS) special reporting.

The consolidated financial statements include the County's proportionate share of the Tri-Municipal Leisure Facility Corporation (a Part 9 Company operating as the TransAlta Tri Leisure Centre) which was audited by another auditor.

Independence

We are independent with respect to the County, within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation.

Areas of audit focus and results

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

Area of focus	Why are we focusing here?
Recognition of revenue amounts subject to external restrictions	There is a risk of inappropriate revenue recognition of amounts received with external restrictions attached to them (special taxes and levies, government transfers and other amounts).
Completeness, existence and accuracy of property assessments and taxation	There is a risk that property assessments and taxation are not complete and consistent with approved taxation rates.
Accuracy and valuation of investments	There is a risk that investments are not appropriately valued; specifically, impairment of investments is not appropriately assessed and valuation adjustments are not recorded where appropriate.
Completeness, existence and accuracy of debt	There is a risk that there is a breach in compliance with debt and that the debt is not appropriately recorded in the financial statements.

Our response and significant findings

- We reviewed the recognition of amounts subject to external restrictions, including government transfers and development levies, to ensure they are recognized.
- We confirmed all significant government transfers, and examined related agreements.
- We obtained an understanding of the developer levy model and the process the County has in place to collect and recognize revenue related to offsite levies.

- We evaluated the application of assessment through the tax roll and taxation rates as established by the County and assessed the adequacy of provisions for uncollectible taxes and outstanding tax appeals.

- We verified the cost and market value of investments through external confirmation, and reviewed management's assessment of market value for potential impairment.

- We confirmed all significant outstanding debt obligations and assessed compliance with restrictive covenants including debt limit regulation.

No misstatements or other findings were identified as a result of performing the above procedures.

Areas of audit focus and results (cont'd)

Area of focus	Why are we focusing here?
Accuracy and valuation of contributed tangible capital assets	There is a risk that contributions of tangible capital assets are not appropriately captured in the consolidated financial statements.
Completeness, existence and accuracy of operating costs and accounts payable and accrued liabilities	There is a risk that appropriate cut-off of accounts payable and accrued liabilities is not achieved.
Existence and accuracy of capital expenditures related to approved capital projects	There is a risk that capital expenditures are not appropriately recorded in the consolidated financial statements and are not appropriately recorded related to approved capital projects.

Our response and significant findings

- We obtained an understanding of the process by which departments capture tangible capital assets which are contributed from developers and other parties and assessed the consistency of the process applied across all departments.
- We reviewed a number of developments that were completed in the County in 2019 and noted that contributed tangible capital assets were recorded appropriately in the current year; however, we also noted that the County recorded contributed land in 2019 which was contributed from the developer in 2017. Refer to the *Adjustments and differences*' and '*Control and other observations*' sections of this report.
- We performed a further review of the contributed tangible capital assets and did not identify audit inconsistencies with the value ascribed to the contributed tangible capital assets by the developers, and the value recorded by the County.

- We used our understanding of the County's operations, discussions with management and our review of Council minutes to ensure completeness of accruals has been achieved as at December 31, 2019.
- We performed work of the County's budgeting process and interim reporting on variances from the approved budget.
- We obtained a detailed understanding of significant variances from budget as well as key accruals.
- We completed a search for unrecorded liabilities and a detailed analysis was done of key accruals.

- We reviewed a sample of capital expenditures and ensured they were applied against the appropriate capital projects.
- We did not identify any issues regarding the existence and accuracy of capital expenditures incurred during the year and the related approved capital projects.

No additional misstatements or other findings were identified as a result of performing the above procedures.

Areas of audit focus and results (cont'd)

Area of focus	Why are we focusing here?
Accuracy and valuation of consumable inventory	There is a risk that consumable inventory is not appropriately captured in the consolidated financial statements.
Completeness and accuracy of environmental obligations and other contingencies	There is a risk that environmental obligations and other contingent liabilities are not appropriately identified and reasonably estimated.
Completeness and accuracy of salaries and benefits note disclosures	There is a risk that salaries and benefits note disclosure are not complete and accurately reported.
Risk from management override of controls	This is a presumed risk. We have not identified any specific additional risks of management override relating to this audit.

Our response and significant findings

- We obtained an understanding of the process by which consumable inventory is tracked and recorded
- We performed a further review of the consumable inventory and did not identify audit inconsistencies with the value by the County.

- The County has performed an updated review of land and other assets for the potential risk of contamination and determination of resulting obligation, if any.
- We are satisfied that the County has appropriate procedures and systems in place to ensure consistent and accurate identification of liabilities, including those associated with environmental obligations and other contingencies.

- We reviewed County policies and related supporting documentation to ensure salaries and benefits comply with County policies and are appropriately disclosed.

- We performed testing over journal entries and other adjustments, performed a retrospective review of estimates and assessed the existence of any significant unusual transactions.

No misstatements or other findings were identified as a result of performing the above procedures.

Critical accounting estimates

Management is required to disclose information in the consolidated financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be "critical accounting estimates."

We have summarized our assessment of the subjective areas.

Asset Liability	KPMG Comment
Environmental obligations and other contingencies	The County obtained information from external and internal resources who specialize in assessing potential environmental obligations and other contingencies. There have been no significant changes in how the obligations are estimated year over year.
Useful lives of tangible capital assets	The County estimates the useful life of tangible capital assets and reviews the amortization policy on a regular basis. There have been no changes to the manner in which the estimate is determined.
Accrued liabilities	The County estimates accrued liabilities based on expenses and payables incurred throughout the year. There was no change in the way the County estimated accrued liabilities from the prior year.
Fair value of contributed tangible capital assets	The County typically relies on the value of the contributed tangible capital asset as outlined in development agreements and the Construction Completion Certificates which are issued by the County and signed by the developer. The fair value of contributed land is determined based on the assessed value of the property in the year title is transferred to the County. The value of contributed land under roads is calculated using a per-acre dollar value, determined based on third party land appraisals. Other components of contributed tangible capital assets are assessed at fair value using the best available information.
Deferred revenue and revenue recognized related to development charges and levies	The County utilizes forecasted development costs, staging and financing requirements to determine levy rates for development and related amounts to be recognized as revenue. There have been no changes in the manner in which the rates are calculated by the County's development model.
Allowance for doubtful account reserve (taxes and other)	The County estimates allowance for doubtful accounts (taxes and other) based on historical collections and examination of aged balances. Tax appeals are reviewed on an appeal by appeal basis and legal counsel is consulted where required. There have been no changes in the manner in which the estimate is determined.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the County's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

Form, arrangement, and content of the financial statements	The consolidated financial statements have been prepared in accordance with the Canadian public sector accounting standards. As disclosed in Note 1(m) of the County's consolidated financial statements, a new Canadian public sector accounting standard came into effect for the County's year ending December 31, 2019, PS3430 – Restructuring Transactions. We reviewed the County's assessment regarding the new standard and concur with management's conclusion that the adoption of this accounting standard did not result in any changes to the measurement or disclosures in the consolidated financial statements.
Application of accounting pronouncements issued but not yet effective	As described in Note 1(l) of the County's consolidated financial statements, a number of new Canadian public sector accounting standards will be in effect beginning with the County's December 31, 2022 year end and beyond. These new standards include: PS1201 – Financial Statement Presentation; PS2601 – Foreign Currency Transactions; PS3041 – Portfolio Investments; PS3450 – Financial Instruments; PS3280 – Asset Retirement Obligations; and PS3400 – Revenue. Although it is not anticipated these new accounting standards will result in significant measurement differences in the County's consolidated financial statements in future years, additional disclosures will likely need to be provided.

Adjustments and differences

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of management that all identified differences be corrected. We have already made this request of management.

Uncorrected differences

As at December 31, 2019	Annual surplus Increase (Decrease)	Financial position Increase (Decrease)		
Description of differences		**Assets**	**Liabilities**	**Opening Accumulated Surplus**
Materiality - $2,500,000				
To correct the opening balance of capital assets contributed in 2017 and not recorded until 2019.	$(335,438)	-	-	$335,438
To correct the opening balance of deferred revenue not eliminated in the prior year from proportionate consolidation of Tri-Leisure Centre.	$(175,751)	-	-	$175,751
Total differences	**$(511,189)**	**-**	**-**	**$511,189**

We concur with management's representation that the differences are not material to the financial statements and they do not impact the County's closing consolidated statement of financial position. Accordingly, the differences have no effect on our auditors' report.

Corrected adjustments

We identified one adjustment in relation to contributed tangible capital assets that was initially recorded in the consolidated financial statements in the amount of $421,613 and was subsequently reversed. We proposed certain other adjustments with regards to the County's consolidated financial statement disclosures. The most substantive of these changes were accepted by management and included in the consolidated financial statements.

Control and other observations

Item	Observation
Consistency of budgeting and financial reporting	**Observation (2018):** During our audit, we noted that the operating and capital budgets that are approved by Council are prepared on a basis that differs from the budgets that are presented in the County's consolidated financial statements, which are prepared in accordance with the Canadian Public Sector Accounting Standards. In addition, we identified certain instances in the consolidated financial statements where certain budgeted revenues and expenditures were presented in an alternate format from the budget that was approved by Council; however, in aggregate the budgeted revenues and expenditures did agree to the approved budget. **Recommendation:** We recommended that the County prepare a reconciliation between the operating and capital budgets that are to be approved by Council to the budgets that will be presented in the County's consolidated financial statements and include this reconciliation when the Council approves the operating and capital budgets. In addition, we recommended that when certain budgeted revenues and expenditures are reclassified from what was originally approved by Council, management should maintain a road map of the changes to the budget that was approved by Council. **2019 Update:** We noted that the budgets were adjusted throughout the year for various council decisions which had to be reversed out of the budget for financial statement purposes as they were not part of the final approved budget. In the current year, the County changed this process by working directly in D365. The final approved budget was being pulled from in D365 instead of working from the adjusted budget, eliminating the need to reconcile back the original budget. As such, we consider this matter to have been addressed and will remove the observation in future years.

Control and other observations (continued)

Item	Observation
Asset Management System Reconciliation to the Financial Records	**Observation (2017):** Annually, the County reconciles its capital projects recorded in its financial system with the capital projects recorded in its asset management system. In 2017, a number of variances were identified all of which related to contributed tangible capital assets. **Recommendation:** Contributed tangible capital assets are challenging as they represent assets that are not paid for but rather are contributed by developers. The annual reconciliation performed by the County is a good detective control; however, we recommend that the County refine control processes that would limit the occurrence of such errors related to maintaining dual records (asset management and financial) for tangible capital assets. The County should fully integrate the asset management system so that assets can be managed and recorded in real time within the financial records. **2019 Update:** During our work performed over contributed tangible capital assets, we again identified a cut-off error in regards to land that was transferred to the County in 2017 but was not recorded in the County's consolidated financial statements until fiscal 2019. The County has two established processes to verify the completeness, existence and accuracy of its tangible capital assets: 1. Departmental review of the tangible capital asset listing for each department, with sign-off verifying the completeness of the listing and existence of all assets included therein; and 2. Reconciliation between the County's land title registry, asset management system and financial records to ensure all land under County ownership has been recognized in the financial statements. We continue to recommend that the County move to maintaining one fully integrated asset management system.

Control and other observations (continued)

Item	Observation
Capital budget, including budgeting for contributed tangible capital assets	**Observation (2017):** We noted that the budgeted amounts for the acquisition of tangible capital assets was significantly different than the actual acquisitions for the year. This variance is, in large part, a result of unspent carry forward amounts for capital expenditures that were budgeted for in prior years that have fallen behind plan, or have not occurred as scheduled. We acknowledge that the County has controls in place to monitor the progress of capital projects in progress and that these results are reported to Council on a regular basis; however, this underlying understanding of the timing of capital projects does not fully translate to the capital budget approved by Council and the amounts that are ultimately reported within the consolidated financial statements of the County. **Recommendation:** We recommended that the County review the components of its capital plan. These components include its processes for capital budget amendments, its historic capital priorities including approved but delayed capital projects, and the carry-forward amounts that are brought forward into the upcoming fiscal year to ensure the County has the capacity and funds necessary to execute and complete the capital projects. **2019 Update:** We continue to recommend that the County review the components for the capital plan.

Control and other observations (continued)

Item	Observation
Year End Processes	**Observation (2019):** Through inspection of year end reporting information and discussions with management and staff, we noted there were some discrepancies in staff understanding as well as deficiencies in the year end processes and working papers. **Recommendation:** As described in our preliminary report provided to County administration, we recommend that administration continue to streamline the process through implementing consistent working paper criteria, ensuring staff have a thorough understanding of processes and documentation purposes, structured year end and month end procedures, and thorough review and sign off implementation.

Audit response to COVID-19 Pandemic

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. As such enhanced subsequent events procedures are warranted.

Our audit approach

There are two types of subsequent events, with the accounting treatment dependent on the categorization as follows:

- Events that provide future evidence of conditions that existed at the financial statement date. For these conditions, the financial statements should be adjusted for measurable impact to the assets, liabilities, revenues and expenditures.
- Events that are indicative of conditions that arose subsequent to the financial statement date. For these conditions, disclosures, at a minimum, should include a description of the event and an estimate of the financial impact, when practicable or a statement that an estimate cannot be made.

Audit response

- Management should work with the audit team to customize language for a subsequent events note.
- An assessment for any financial indicators of financial implications should be undertaken and documented by management.
    - A list of any financial implications and actions undertaken by the entity should be disclosed in the notes, examples may include:Experienced temporary declines in the fair value of investments and investment income
    - Closure of facilities to the date of the auditors' report based on public health recommendations to slow the transmission
    - Temporary and or permanent termination of employees
    - Mandatory working from home requirements for those able to do so
    - Others as appropriate
- A statement as to whether or not these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. Along with measurement of an estimated impact on the financial effect or indication if one is not practicable at this time.

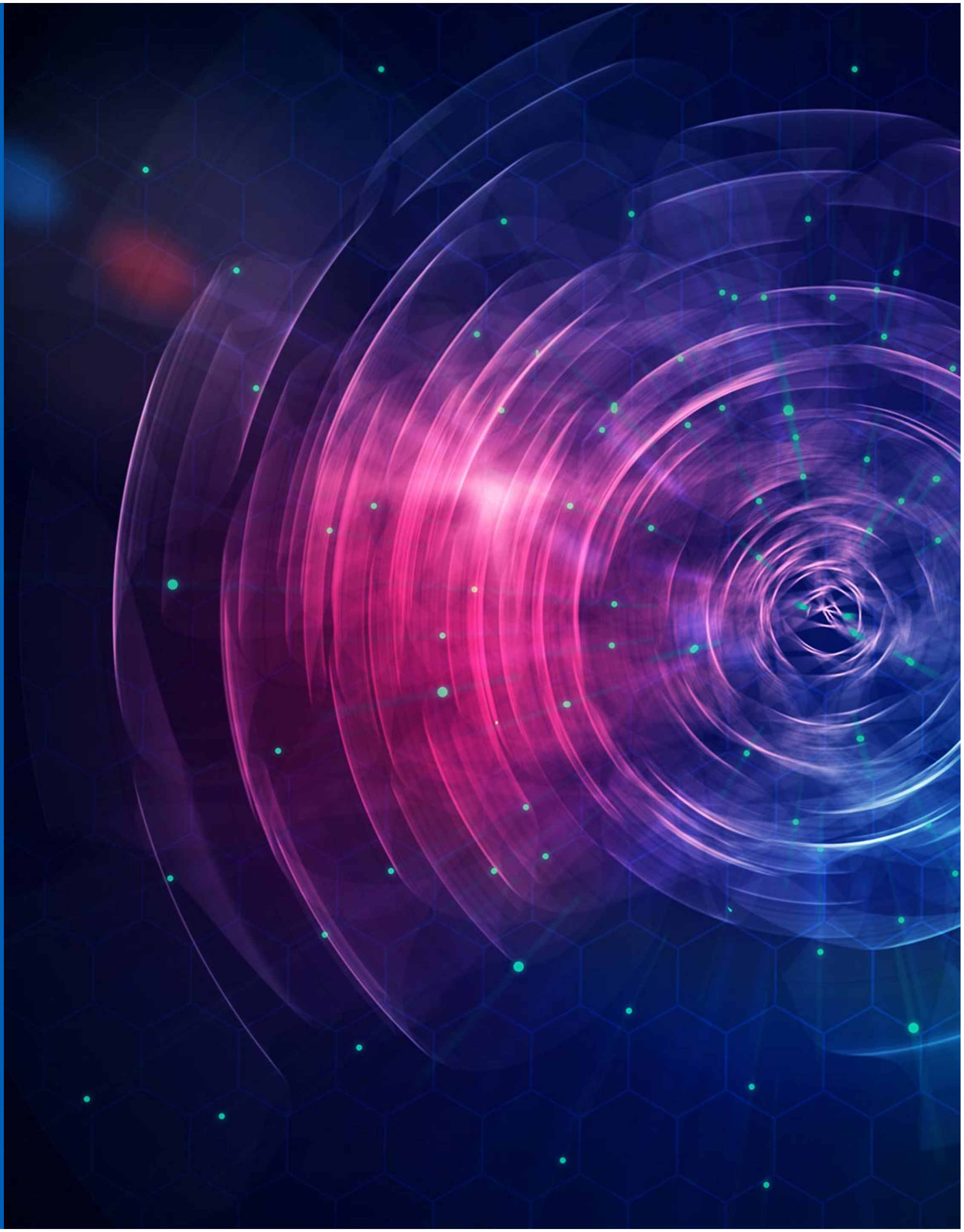
Management has included a subsequent events note in its financial statements that appropriately describes and responds to the above matter.

Resources for Management and Council

Please visit our COVID-19 website for resources. This site is being updated daily based on information being released by Federal, Provincial and Municipal news releases. *https://home.kpmg/ca/en/home/insights/2020/03/the-business-implications-of-coronavirus.html*

Appendices

Content



Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

Auditor’s report	Management representation letter
The conclusion of our audit is set out in our draft auditors’ report and is included in the draft consolidated financial statements.	In accordance with professional standards, a copy of the management representation letter is provided to management.

Audit quality

Audit Quality (AQ) is at the core of everything we do at KPMG. Appendix 2 provides more information on AQ.

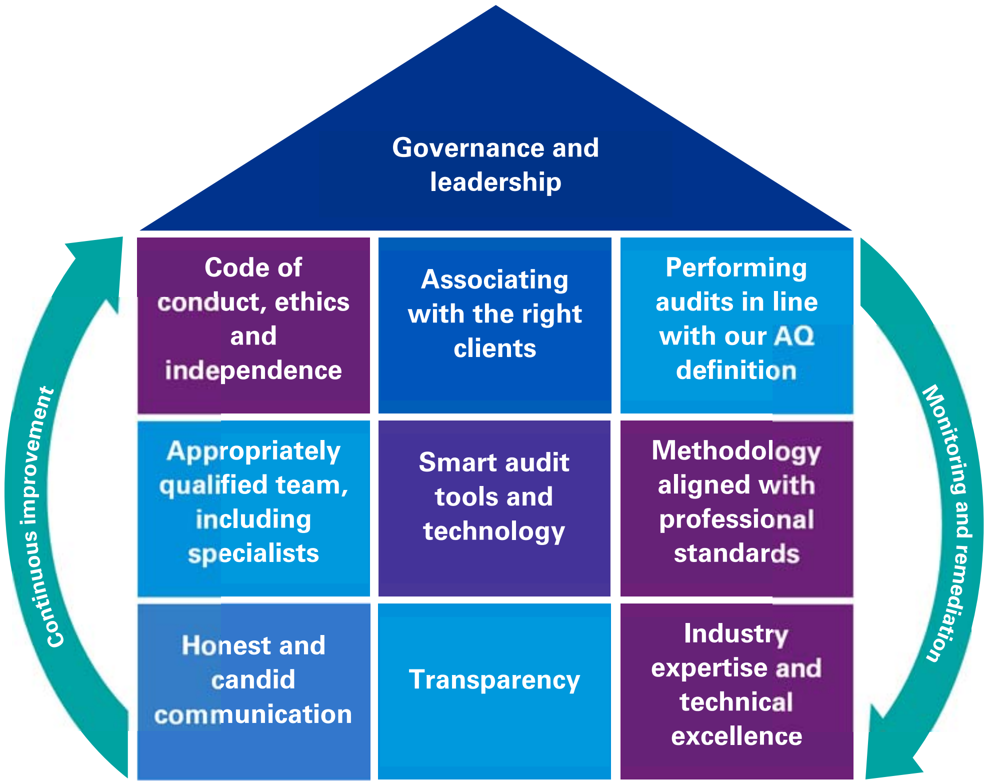
The following links are external audit quality reports for referral by the Council:

- CPAB Audit Quality Insights Report (October 2019) (formerly the “Big Four Firm Public Report”)
- Auditing in the Crypto-Asset Sector: 2019 Inspections Insights (Nov 2019)

Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the key elements of our quality control system.



Audit Quality Framework

What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics,** and **integrity**.

Our AQ Framework summarises how we deliver AQ. Visit our Audit Quality Resources page for more information including access to our Audit Quality and Transparency report.

Appendix 3: Preparing for PSAB Standard Changes

KPMG

Preparing for PSAB Standard Changes

Are you ready to implement PSAB's impactful series of new standards?

Public sector entities are preparing to implement three significant Public Sector Accounting standards through 2022. These standards will impact not only your accounting policies, but also how Finance engages key stakeholders.

Asset Retirement Obligations

PS3280 addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets and solid waste landfill sites by public sector entities.

PS3280 will apply to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. Three transition options are available – retroactive, modified retroactive, prospective.

Asset retirement activities are defined to include all activities related to an asset retirement obligation. These may include but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed
- decontamination created by the normal use of the tangible capital asset
- post-retirement activities such as monitoring
- constructing other tangible capital assets in order to perform postretirement activities

With the introduction of PS3280 PSAB has withdrawn existing Section PS3270, solid waste landfill closure and post-closure liability.

Some examples of asset retirement obligations which fall under scope of proposed PS3280 include:

- end of lease provisions (from a lessee perspective)
- removal of radiologically contaminated medical equipment
- wastewater or sewage treatment facilities
- firewater holding tanks
- closure and post-closure obligations associated with landfills
- septic beds
- fuel storage tank removal

Under PS3280, an asset retirement obligation should be recognized when, as at the financial reporting date, ALL of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset
- the past transaction or event giving rise to the liability has occurred
- it is expected that future economic benefits will be given up
- a reasonable estimate of the amount can be made

Whether you are an education or health institution or a government entity (federal, provincial, municipal or Indigenous) this accounting standard will have implications for your organization if you report under the Public Sector Accounting Standards.

Are You Ready?

1. *Has a project plan been developed for the implementation of this section?*
2. *Has Finance communicated with key stakeholders, including Council or Board on the impact of this section?*
3. *Does Finance communicate with representatives of the Public Works, Asset Management, Facilities Management or Legal functions through the financial reporting process?*
4. *Has a complete inventory been developed of all inactive or active assets or sites, to provide a baseline for scoping of potential retirement obligations?*
5. *If a complete inventory has been developed, does it reconcile back to information currently reported in the entity's financial statements for tangible capital assets or contaminated sites?*
6. *Does your entity have data on non-recorded assets or sites (ie: assets which were originally expensed on purchase, or recorded at no book value) which could have retirement obligations?*
7. *Does your entity have an active solid waste landfill site?*
8. *If yes, does your entity have an existing estimate of the full costs to retire and monitor the landfill site?*
9. *Is your entity aware of any of its buildings which have asbestos?*
10. *If so, does your entity have information to inform a cost estimate to remove/ treat the asbestos?*
11. *Is your entity aware of underground fuel storage tanks or boilers which must be removed at end of life?*
12. *If so, does your entity have information to inform a cost estimate to remove the tanks?*
13. *Is your entity aware of any lease arrangements where it will be required to incur costs to return the premises to pre-existing conditions at the end of the lease?*
14. *Has your entity determined if it has any sewage or wastewater treatment plants which have closure plans or environmental approvals which require full or partial retirement of the plant at the end of its life?*
15. *Is your entity aware of any other contractual or legal obligations to retire or otherwise dismantle or remove an asset at the end of its life?*

Revenues

PS3400 outlines a framework describing two categories of revenue – transactions with performance obligations (exchange transactions) and transactions without performance obligations (unilateral transactions).

- This section will apply to fiscal years beginning on or after April 1, 2022, with earlier adoption permitted.
- This Section may be applied retroactively or prospectively.
- This section will not impact the present accounting for taxation revenues and government transfers.

Transactions which give rise to one or more performance obligations are considered to be exchange transactions. Performance obligations are defined as enforceable promises to provide goods or services to a payer as a result of exchange transactions. Revenue from an exchange transaction would be recognized when the public sector entity has satisfied the performance obligation(s), at a point in time or over a period of time.

If no performance obligations are present, the transaction would represent unilateral revenue, and be recognized when the public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim of economic resources.

Public sector entities will need to review their revenue recognition policies for in-scope transaction types. Impacted areas may include:

- Development charges
- Permits
- Licences
- Advertising programs

Are You Ready?

1. *Has the entity identified any revenue-generating transactions other than taxation or government transfer revenues which create performance obligations (ie: the entity is required to provide a good or service to earn that revenue)?*
2. *If so, has the entity reviewed its accounting policies for these transactions to verify revenue is recognized only as performance obligations are being met?*
3. *Has the entity quantified the impact of any change in accounting policy, or determined that there is no impact?*

Financial Instruments

PS3450 establishes standards on how to account for and report all types of financial instruments including derivatives.

- This Section applies to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.
- Government organizations that applied the CPA Canada Handbook – Accounting prior to their adoption of the CPA Canada Public Sector Accounting Handbook applied this Section to fiscal years beginning on or after April 1, 2012.
- This section must be adopted with Section PS 2601, Foreign Currency Transaltion.
- Specific transition requirements are outlined in the section.

This section prescribes a fair value measurement framework for derivatives, and equity instruments that are quoted in an active market.

Where an entity manages risks, the investment strategy, or performance of a group of financial assets, financial liabilities or both on a fair value basis, they may also be meased at fair value.

Other financial instruments are measured at cost/ amortized cost.

Changes in the fair value of a financial instrument in the fair value category are recognized in the Statement of Remeasurement Gains and Losses as a remeasurement gain or loss until the financial instrument is derecognized.

- Upon derecognition, the remeasurement gain or loss is realized in the Statement of Operations.

Are You Ready?

1. *Does the entity hold any financial assets which are equity or derivative instruments?*
2. *Has the entity determined if it has any embedded derivatives that might arise from existing contractual arrangements?*
3. *Does the entity have other financial assets which it assesses performance of based on fair value, and for which it might elect a fair value measure?*
4. *If yes to any of the above three questions, does the entity have readily observable market data to inform a fair value measure?*
5. *Has the entity reviewed existing financial instrument note disclosure in the financial statements to determine any required revisions to meet the requirements of this section?*
6. *Does the entity enter into transactions involving foreign exchange?*
7. *Does the entity hold any monetary assets and monetary liabilities, or non-monetary assets denominated in a foreign currency?*

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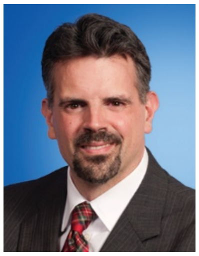

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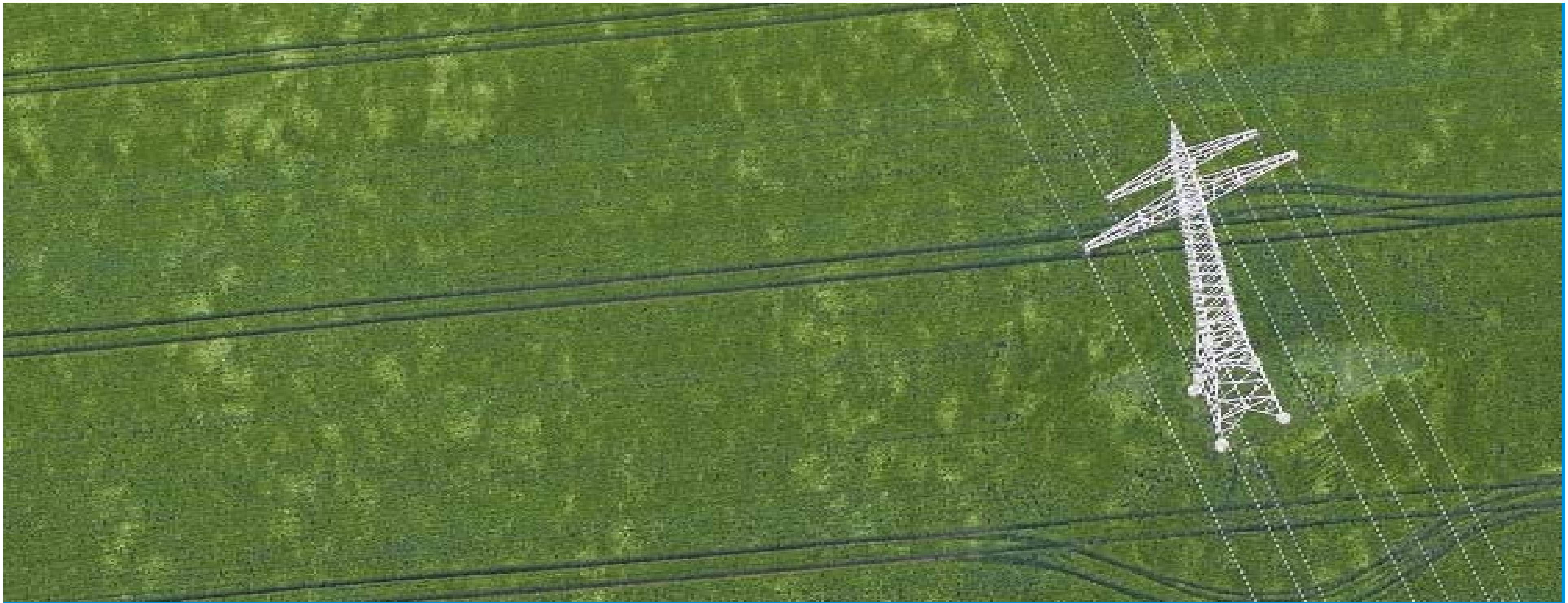
Email Bailey to join his Public Sector Accounting newsletter distribution list.



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