The Corporation of the Town of LaSalle

Audit Findings Report

For the year ended December 31, 2017

KPMG LLP

Prepared on June 15, 2018 for presentation on June 26, 2018

kpmg.ca/audit

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Executive summary

Purpose of this report

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 of the Corporation of the Town of LaSalle ("the Town") as at and for the year ended December 31, 2017.

Audit risks and results

We discussed with Management at the start of the audit a number of **significant financial reporting risks**.

These risks have been addressed in our audit.

See page 4 and Appendix 2.

Adjustments and differences

We did not identify any adjustments that were communicated to management and subsequently corrected in the consolidated financial statements.

We did not identify differences that remain uncorrected.

Finalizing the audit

As of June 15, 2018, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include:

– completing our discussions with Council

– obtaining evidence of Council's approval of the consolidated financial statements

– Obtaining the signed management representation letter

We will update you 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.

Critical accounting estimates

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

Independence

We are independent with respect to the Town (and its related entities), within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

This Audit Findings Report should not be used for any other purpose or by anyone other than 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.

Materiality

The determination of materiality requires professional judgment and is based on a combination of quantitative and qualitative assessments including the nature of account balances and financial statement disclosures.

The first step is the determination of the amounts used for planning purposes as follows:

Materiality determination	Comments	Amount
Metrics	Relevant metrics included net assets, total revenue, and total expenses for public sector entities.	
Benchmark	Based on an estimate of total revenue for the year (excluding reserve fund revenue and capital fund revenue). This benchmark is consistent with the prior year.	$48.9 million
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the prior year's audit was $1.35 million.	$1.46 million
% of Benchmark	The corresponding percentage for the prior year's audit was 3%.	3%
Performance materiality	Used 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures. The corresponding amount for the prior year's audit was 75% or $1.010 million.	$1.095 million
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was $67K. Different threshold used to accumulated reclassification misstatements.	$73K $219K for reclassification

Professional standards require us to re-assess materiality at the completion of our audit based on period-end results or new information in order to confirm whether the amount determined for planning purposes remains appropriate. Our assessment of misstatements, if any, in amounts or disclosures at the completion of our audit will include the consideration of both quantitative and qualitative factors.

Audit risks and results

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls.

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.

Significant financial reporting risks	Why	Our response and significant findings
Fraud risk from revenue recognition	This is a presumed fraud risk. There are generally pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition when performance is measured in terms of year-over-year revenue growth or profit.	We have rebutted this presumed fraud risk as it is not appropriate when considering the manner in which performance is measured by the Town.
Fraud risk from management override of controls	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.	As the risk is not rebuttable, our audit methodology incorporated the required procedures in professional standards to address this risk. These procedures included testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions. No exceptions were noted in our testing.

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.

Critical accounting estimates

Asset / liability	Balance ($'000s)	KPMG comment
Carrying value of tangible capital assets and other non-financial assets	$263,199	Amortization is charged on a straight-line basis over the useful life of the assets. The estimated useful lives of the tangible capital assets that the Town uses are consistent with industry standards. KPMG performed substantive tests of details over additions to tangible capital assets as well as substantive analytical procedures over the current year amortization. There have been no indications of valuation or impairment issues in relation to the total value of tangible capital assets and other non-financial assets recorded.
Valuation of employee future benefit obligations	$25,086	Obligations related to employee future benefits are valued based on actuarial assumptions. We have reviewed the assumptions provided by Management and found them to be reasonable.

We believe management's process for identifying critical accounting estimates is considered adequate.

Financial statement presentation and disclosure

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

We also highlight the following:

Form, arrangement, and content of the consolidated financial statements	The form, arrangement and content of the consolidated financial statements has been reviewed as part of our audit procedures as is considered to be adequate.

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as "Corrected adjustments" or "Uncorrected differences". These include disclosure adjustments and differences.

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

Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the consolidated financial statements.

Uncorrected differences

We did not identify differences that remain uncorrected.

Appendices

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:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report attached to the presented draft consolidated financial statements.
- **Management representation letter** –In accordance with professional standards, copies of the management representation letter are provided to Council. The management representation letter is attached.

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of LaSalle

We have audited the accompanying consolidated financial statements of The Corporation of the Town of LaSalle, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of The Corporation of the Town of LaSalle as at December 31, 2017, and its consolidated results of operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
Approval date

KPMG LLP
618 Greenwood Centre
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Canada

June 26, 2018

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of The Corporation of the Town of LaSalle ("the Entity") as at and for the period ended December 31, 2017.

GENERAL:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

RESPONSIBILITIES:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated April 14, 2017, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including (i) the names of all related parties and information regarding all relationships and transactions with related parties; and (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and providing you with access to such relevant information. All significant board and committee actions are included in the summaries.

   c) providing you with additional information that you may request from us for the purpose of the engagement.

   d) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

   e) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

f) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

g) providing you with written representations that you are required to obtain under your professional standards and written representations that you determined are necessary.

h) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud

b) all information in relation to fraud or suspected fraud that we are aware of and that affects the financial statements and involves: management, employees who have significant roles in internal control over financial reporting, or others, where the fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.

e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

SUBSEQUENT EVENTS:

4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

5) We have disclosed to you the identity of the Entity's related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

GOING CONCERN:

9) We have provided you with all relevant information relevant to the use of the going concern assumption in the financial statements.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

10) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

APPROVAL OF FINANCIAL STATEMENTS

11) (Insert name of board director) has the recognized authority to take, and has taken, responsibility for the financial statements.

Yours very truly,

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By: Mr. Kevin Miller, Chief Administrative Officer

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By: Mr. Dale Langlois, Treasurer

____

By: Mr. Gaetano Ferraro, Deputy Treasurer

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

RELATED PARTIES

In accordance with Canadian public sector accounting standards *related party* is defined as:

- Related parties exist when one party has the ability to excercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management and immediate family members.

In accordance with Canadian public sector accounting standards a *related party transaction* is defined as:

- A transfer of economic resources or obligations between related parties, or the provision of service by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

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 summarises the six key elements of our quality control systems.

Visit our Audit Quality Resources page for more information including access to our audit quality report, Audit quality: Our hands-on process.

- Other controls include:
  - Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 3: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

Appendix 4: Expanded Auditor Reporting

In response to investors demanding more than a binary pass/fail opinion from the auditors' report, the new and revised auditor reporting standards have introduced significant changes to the traditional auditors' report we provide.

In April 2017, the Auditing and Assurance Standards Board (AASB) in Canada approved the new and revised auditor reporting standards as Canadian Auditing Standards (CASs).

What's new?

Highlights of the new auditors' report include:

Change	Applicability
Re-ordering of the auditors' report, including moving opinion to the first section	Listed and non-listed entities
Expanded descriptions of management's, those charged with governance and auditors' responsibilities	Listed and non-listed entities
Disclosure of name of the engagement partner	Listed entities
Description of key audit matters	Applicable only when required by law or regulation or when the auditors is engaged to do so

Key audit matter reporting – a Canadian approach

After much deliberation, the final CASs, as adopted, do not contain a key audit matter reporting requirement for listed entities at this time, unlike the auditor reporting standards issued by the International Auditing and Assurance Standards Board (AASB). The CASs allow key audit matter reporting when required by law or regulation or when the auditor is engaged to do so.

The Public Company Accounting Oversight Board (PCAOB) has not yet finalized its auditor reporting standards. Given Canadian and U.S. capital markets are closely integrated, the AASB believe this could create confusion in the marketplace and potentially affect comparability of information across the North American capital markets.

The AASB will continue to monitor developments in the U.S. and determine its impact in Canada.

Refer to the Message from the Chair of the AASB for further details.

When are the new requirements effective?

The new and revised standards in Canada will be effective for audits of financial statements for periods ending on or after December 15, 2018 (the Town's December 31, 2018 year-end) with early application permitted.

Appendix 5: Current Developments

Public Sector Accounting Board: Accounting Standards for Government Organizations

The Public Sector Accounting Board of Canada is responsible for setting the accounting standards that your organization is required to apply in preparing the general purpose financial statements. The following new or revised accounting standards approved by the Board may have an impact on your financial statements over the next two years as described below. In addition, PSAB has various projects underway which may impact for financial reporting for future fiscal years. We encourage Management to review these standards and projects to determine the impact, if any, on your organization's financial statements.

Summary of New and Revised Accounting Standards

There was no new guidance issued by the Board during 2017. PSAB previously issued the following sections that are effective in 2017 or future years:

Sections	Effective for fiscal years
Introduction to Public Sector Accounting Standards	Beginning on or after January 1, 2017
Related Party Disclosures, Section 2200	Beginning on or after April 1, 2017
Inter-entity Transactions, Section 3420	Beginning on or after April 1, 2017
Assets, Section 3210	Beginning on or after April 1, 2017
Contingent Assets, Section 3320	Beginning on or after April 1, 2017
Contractual Rights, Section 3380	Beginning on or after April 1, 2017
Restructuring Transactions, Section 3430	Beginning on or after April 1, 2018
Financial Instruments, Section PS3450	Beginning on or after April 1, 2021, with early implementation for government organizations transitioning from Part V of *the CPA Canada Handbook – Accounting*. Early adoption is permitted.
Portfolio Investments, Section PS3041	
Foreign Currency Translation, Section PS2601	
Financial Statement Presentation, Section PS1201	

The two standards with the most impact on government organizations are summarized below.

Restructuring Transactions

This section relates to accounting for assets and liabilities transferred in a restructuring transaction. It also differentiates between an acquisition (where a payment or other consideration approximates the fair value of the net assets) and a restructuring transaction (with little or no consideration). Restructuring transactions differ from a government transfer as restructuring transactions would result in the recipient assuming the related program or operating responsibility as opposed to a government transfer of a contributed asset which would be essentially a contribution.

Assets and liabilities are to be measured at their carrying amount in a restructuring transaction.

The section is effective for years commencing on or after April 1, 2018. Earlier adoption is encouraged.

Related party transactions for not-for-profit organizations

In December 2016 PSAB withdrew PS 4260, Disclosure of related party transactions by not-for-profit organizations, as similar disclosure requirements are provided in Section PS 2200, Related Party Disclosures. Section PS 4260 will remain in effect until the adoption of Section PS 2200 for fiscal periods beginning on or after April 1, 2017, unless a not-for-profit organization elects earlier adoption.

PSAB also amended the definitions of control and shared control in Section PS 4250, Reporting controlled and related entities by not-for-profit organizations, to conform to those provided in in Section PS 2200, Related Party Disclosures.

Editorial changes and clarifications were also made to other standards as a consequence of the withdrawal of Section PS 4260.

Sections PS 4260 and PS 2200 are very similar except that PS2200 does not include the concept of significant influence or economic interest. However, disclosures for significant influence and economic interest are required by Section PS4250, Reporting controlled and related entities by not-for-profit organizations.

PSAB projects underway

The following section discusses the major projects currently with the Public Sector Accounting Board that will likely have an impact on government not-for-profit organizations:

Asset Retirement Obligations

On March 9, 2017, PSAB issued an Exposure Draft for proposed Section PS 3280, Asset Retirement Obligations. The proposed new accounting standard would address the reporting of legal obligations associated with the retirement of certain tangible capital assets and solid waste landfill sites by public sector entities. The Exposure Draft proposes to withdraw existing Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability. The Exposure Draft closed for comment on June 15, 2017, and the stakeholder responses remain under review by the Public Sector Accounting Board. A final standard is expected to be released by PSAB during the third quarter of 2018.

The Exposure Draft proposes similar accounting for asset retirement obligations as in private sector accounting. An asset retirement obligation would 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; and
- a reasonable estimate of the amount can be made.

Public sector entities would be required to capitalize asset retirement obligations associated with fully amortized tangible capital assets, except in the following instances:

- Asset retirement obligations associated with unrecognized tangible capital assets should be expensed;
- Asset retirement obligations associated with tangible capital assets no longer in productive use should be expensed.

The estimate of a liability should include costs directly attributable to asset retirement activities.

The new Section is expected to apply to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. This Section may be applied retroactively or prospectively. If retroactive application is selected, a public sector entity may choose to apply certain transitional provisions provided in the Section.

Public Private Partnerships

The public private partnerships task force was established to assist PSAB in developing authoritative guidance specific to public private partnerships. The project will include two phases. The first phase will relate to specific issues, including project scope, recognition and measurement of public private partnerships and disclosure requirements. The second phase will focus on the accounting for public private partnerships.

On July 20, 2017, PSAB issued a Statement of Principles that proposed a new standard on public private partnerships which closed for comment October 17, 2017. PSAB is currently deliberating stakeholder feedback, and anticipates releasing an exposure draft in the second quarter of 2018.

Revenue

On May 1, 2017, PSAB issued an Exposure Draft for proposed Section PS 3400, Revenue that proposes a framework describing two categories of revenue – exchange and unilateral. The Exposure Draft closed for comment on August 15, 2017, and the stakeholder responses remain under review by the Public Sector Accounting Board. A final standard is expected to be released by PSAB during the third quarter of 2018.

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.

The proposed new section is expected to apply to fiscal years beginning on or after April 1, 2021, and be accounted for as a change in accounting policy applied retroactively with restatement of prior periods.

Employment Benefits and Pensions

PSAB has approved a project to review Sections PS 3250 Retirement benefits and PS 3255 Post-retirement benefits as a result of significant changes in types of pension plans and related accounting concepts. The project has been divided into two phases. The first phase will review measurement issues such as deferral of experience gains and losses and discount rate. The second phase will involve the accounting for new types of plans, including shared risk plans. Phase two will also include consideration on accounting for multiemployer defined benefit plans and vested sick leave benefits.

Two invitations to comment have been issued related to deferral provisions and discount rates. Government not-for-profit organizations should monitor this project as the eventual standard will likely have significant implications for the accounting for pension plans and employee benefits.

Concepts Underlying Financial Performance

The objective of this project is to review and amend, if necessary, the conceptual framework of public sector accounting standards. For government not-for-profit organizations, the most important component of this project is significant proposed changes in financial statement presentation. A Statement of Principles: “A Revised Reporting Model for the Canadian Public Sector” will be issued in the second quarter of 2018. Government not-for-profit organizations should monitor this project as the eventual standards will have a significant impact on their financial statements.

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