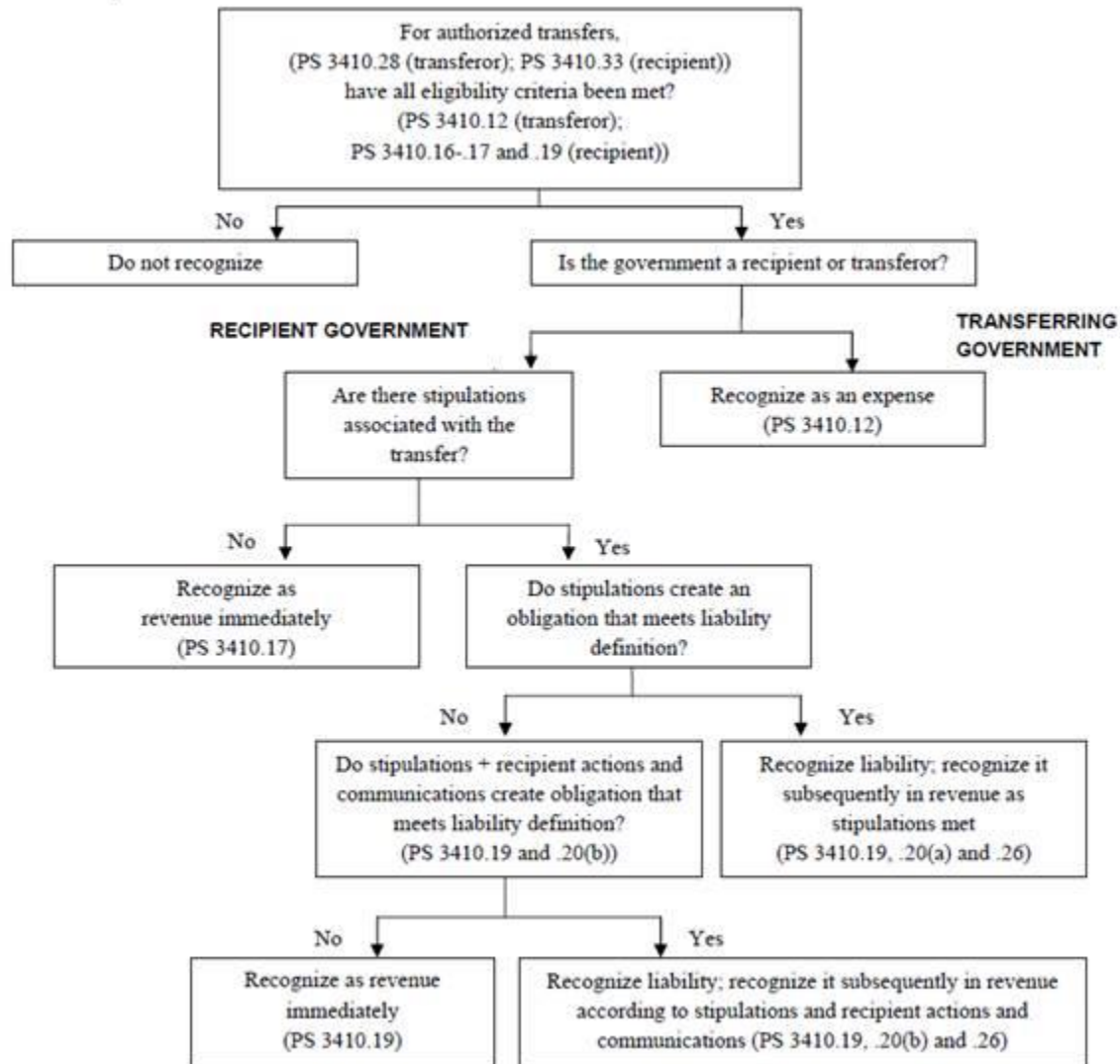


Accounting treatment for BC Safe Restart Grant under PSAS

In assessing the accounting treatment for the BC Safe Restart Grant under PSAS, government finance officers can consider using the decision tree set forth in Appendix A of the PS 3410 *Government transfers*:



There are two key questions/decisions to consider in the accounting analysis:

1. Stipulations:

There are stipulations provided in the funding letter which need to be considered. These are generally very broad with many areas of eligible spend, so unlikely to create an obligation that meets the definition of a liability under PSAS. Further, there are no repayment requirements related to this funding based on terms of the grant.

2. Stipulations + recipient actions and communications:

A local government may create a liability by its own actions and communications such that there is no discretion to avoid the future expense, including sufficient communication to the affected party.

Guidance in PS 3200 *Liabilities* should be analyzed in particular paragraphs 07 through 17 on “Discretion”. Select excerpts from the standard that are relevant include:

.07 Discretion is the ability to make individual choices, judgments or decisions. Decisions such as budgeting for purchases or transfers and future program expenditures are not present obligations. In these circumstances a government is not bound to a particular course of action, as the government has realistic alternatives to change or avoid the obligation through its own actions.

.12 Evidence that a government has acknowledged and will act upon its decision to accept responsibility for the obligation can include, but is not limited to, consideration of the following:

- (a) past practices;*
- (b) established policies;*
- (c) cabinet minutes, orders-in-council, ministerial orders;*
- (d) approved plans;*
- (e) ministerial letters; and*
- (f) approval of legislation at various stages, such as first, second or third reading.*

.13 If those affected are unaware of the government making its decision, no obligation can exist; the decision must be communicated to the parties affected. Communication to affected parties needs to be sufficient so that it creates a valid expectation among others resulting in a government not being able to withdraw from the obligation and having no realistic alternative but to settle the obligation.

.14 Evidence that a government has sufficiently communicated its decision to affected parties could include, but is not limited to, the following:

- (a) an announcement of the amount the government is providing;*
- (b) identification of the individuals, organizations or groups affected by the decision; and*
- (c) an announcement of the time frame for implementing the decision.*

It is generally expected that local governments will recognize the full Safe Restart Grant funding into revenue when received after analyzing against the PSAS standards.

Below are 3 common scenarios that you may encounter.

1. Budgeting to use the funds in a future year and approval by Council of the budget does not by itself create a liability. The local government controls the budget process and therefore can change the budget if desired. (PS3200.07)
2. A Regional District allocating funding between electoral districts does not by itself create a liability. The Regional District can change these allocations if desired.

3. Publicly announcing a third party has been hired to provide a service that is an eligible cost, including announcement of the time frame for implementing the decision could create a liability. Note that the liability would be on the future expenditure, which would be the recognition of the expense and accrued liability. Consequently, it would be expected that this may not impact the recognition of revenue.

We recommend discussing the specifics of your local government actions and communications with your auditor to determine the revenue recognition for this grant.

LGDE Reporting

The Ministry of Municipal Affairs will provide guidance in the LGDE manual to include the Safe Restart Grant in the caption ‘Provincial Unconditional Grants’ for the purposes of LGDE reporting.

Schedule to the Financial Statements

To ensure full transparency regarding use of the funds, a schedule to the financial statements should be presented including the amount of funding received, use of funds and year end balance of unused funds. A schedule will continue to be reported annually until funds are fully drawn down. An example of a schedule is presented below. Local governments may choose to present different categories to describe how funds were spent, as long as the reporting requirements in the funding letter have been met.

Safe Restart Grant received November 2020	1,000,000
Eligible costs incurred:	
Computer and technology costs to improve connectivity and virtual communications	(200,000)
Replenishment of reserves used for COVID-19 expenses	(100,000)
Revenue shortfalls	(250,000)
General government services	(50,000)
Protective services	(50,000)
Engineering and public works	(50,000)
Refuse collection	(50,000)
Community planning	(50,000)
Recreation, parks and cultural	(50,000)
Water and sewer utilities	(50,000)
Total eligible costs incurred	(900,000)
Balance, December 31, 2020	100,000

As a schedule to the financial statements is required, local governments could consider creating a reserve within accumulated surplus to track the use of these funds for reporting purposes. A reserve will support transparency in the financial statements and ease in preparation of the schedule.