

Government Partnerships

A **Government Partnership** is a contractual arrangement between the government and a party or parties outside of the government reporting entity. These outside parties can be other governments. Activities conducted with no formal contractual arrangement, but which meet the criteria of a government partnership as outlined below, are in substance government partnerships.

A **Government Partnership** has all of the following characteristics:

	Yes	No
a) The partners cooperate toward achieving significant clearly defined common goals.	<input type="checkbox"/>	<input type="checkbox"/>
b) The partners make a financial investment in the government partnership.	<input type="checkbox"/>	<input type="checkbox"/>
c) The partners share control of decisions related to the financial and operating policies of the government partnership on an on-going basis.	<input type="checkbox"/>	<input type="checkbox"/>
d) The partners share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership.	<input type="checkbox"/>	<input type="checkbox"/>

If the municipality answered yes to all of the above questions, the venture being evaluated is a **Government Partnership**.

If the municipality has determined that it is participating in a government partnership, a further assessment must be made as to whether the venture is a **Government Business Partnership**.

If the economic venture is a government partnership but not a government business partnership, a Municipality's financial statements should recognize the municipality's interest in the **Government Partnership**, using the proportionate consolidation method.

Proportionate consolidation is the method of accounting and reporting whereby the Municipality includes its pro-rata share of the assets, liabilities, revenues and expenses of the partnership on a line by line basis with similar items in the Municipality's financial statements.

Government Business Partnerships

A **Government Business Partnership** is a government partnership has all of the following characteristics:

	Yes	No
a) It is a separate legal entity with the power to contract in its own name and that can sue and be sued.	<input type="checkbox"/>	<input type="checkbox"/>
b) It has been delegated the financial and operational authority to carry on a business.	<input type="checkbox"/>	<input type="checkbox"/>
c) It sells goods and services to individuals and organizations other than the partners as its principal activity.	<input type="checkbox"/>	<input type="checkbox"/>
d) It can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources other than the partners.	<input type="checkbox"/>	<input type="checkbox"/>

If the municipality answered yes to all of the above questions, the government partnership being evaluated is a **Government Business Partnership**.

If an organization is determined to be a government business partnership (GBP), the MRE's financial statements should recognize their interest in the GBP by applying the modified equity method.

The modified equity method of accounting for a government business partnership results in the Municipality recording the original investment in the partnership at cost. The carrying value of that investment is then adjusted annually to include the Municipality's pro-rata share of the earnings of the partnership. The amount of the adjustment recorded is included in the determination of the net income of the Municipality. The partnership investment account of the Municipality is also increased or decreased to reflect the Municipality's share of capital transactions¹. Any profit distributions received from the partnership reduce the carrying value of the investment in the partnership.

¹ *Capital transactions in this instance does not refer to the purchase or construction of equipment or infrastructure. Capital transactions with respect to investments refers to an additional infusion of cash (capital) made by the Municipality into the partnership. The carrying value of the investment in the partnership is increased by the amount of the cash infusion.*