

# 21.1 Revenues, Recoveries and Fees

## Policy Statement

It is the policy of the Province of Nova Scotia to record revenue, recoveries and fees on an accrual basis in accordance with generally accepted accounting principles for the public sector.

## Definitions

### EXTERNAL RESTRICTIONS

External restrictions are stipulations imposed by an agreement with an external party, or through legislation of another government, that specify the purpose or purposes for which resources are to be used.

### FEES AND OTHER CHARGES

Fees and other charges are comprised of charges to identifiable clients outside government pertaining to the provision of goods and/or services from sources other than regulatory/legislated items.

### RECOVERIES

Recoveries arise from an agreement with an external party to compensate the province for the full cost or a portion of the cost incurred on its behalf.

### REVENUES

Revenues are fees, licenses or taxes which are regulatory in nature.

## Policy Objectives

The objective of this policy is to distinguish between revenue, recoveries, and fees and describe the appropriate process for recording these items.

## Application

This policy applies to all revenue and/or monies received by any government department from a source external to government, including other levels of government. It does not apply to Federal Transfers (see Policy 21.2 Federal Transfers for specific directions about federal transfers.)

## Policy Directives

Consideration must be given to the nature of a transaction in determining if it is a revenue, recovery or a fee. The following provides some directives on defining and recording such transactions:

### REVENUE

Revenues are fees, licenses or taxes which are regulatory in nature. Revenue earned from sources such as taxes, licensing and permits, gaming income, equalization payments and interest are considered revenue. For example, the authority to collect charges for elevator inspections is stated in provincial regulations so these charges qualify as revenues. Revenues are accounted for in the period in which the transactions or events giving rise to the revenues occur.

Revenues are recorded in the general ledger account range 300000-399999. Federal Transfers are considered revenues and are recorded within this same account range.

### RECOVERIES

Recoveries arise from an agreement with an external party to compensate the province for the full cost or a portion of the cost incurred on its behalf. The province will record a recovery when it has met the conditions of the recovery agreement. For example, the province may “earn” or become eligible for a recovery once it has incurred expenses for a project or at the completion of an audit of the project costs. The point at which a recovery is earned will depend on the terms of the cost sharing agreement.

Recoveries are recorded in the general ledger account range 500000-599999. These accounts are often reported as a component of Net Program Expenses. Generally accepted accounting principles require that the amount of gross expenses before the impact of recoveries must be reported in the province’s financial statements.

### FEES AND OTHER CHARGES

Fees and other charges are charges to identifiable clients outside government pertaining to the provision of goods and/or services from sources other than regulatory/legislated items. Similar to revenue items, these fees are recorded in the period in which the transactions or events giving rise to the revenues occur.

Fees and other charges are recorded in the general ledger account range 901100-909900. These accounts are often reported as a component of Net Program Expenses. Generally accepted accounting principles require that the amount of gross expenses before the impact of recoveries must be reported in the province’s financial statements.

## **Policy Guidelines**

Accounting for and reporting revenue requires consideration of the nature of restrictions, if any, on revenues. Governments operate under different types of limitations and the province's access to resources (revenues) may be restricted by varying degrees. Some restrictions are imposed by the province's own legislation, where the terms and conditions of the legislation establish an accountability relationship with an external party. Internal restrictions can be modified by the government if deemed necessary.

Restrictions can be externally imposed by agreements with external parties or by legislation of another government. External restrictions are out of the control of the recipient government, impacting the timing of revenue recognition. The province is a recipient of these certain streams of revenue that contain such restrictions from external parties. Resources restricted by agreement with an external party, or by legislation of another government, are the least accessible of the province's resources. They cannot be used for other than the stipulated purpose unless the government obtains approval or permission from the external party or there is a change in the pertinent legislation.

Externally restricted inflows should be recognized as revenue or recovery in the province's financial statements in the period in which the resources are used for the purpose or purposes specified. Sometimes cash is received before purpose restrictions have been satisfied (earnings process completed). Such advance payments should be reported as a liability (deferred revenue) until the resources are used for the purpose or purposes specified. At that time, both the expense and related revenue would be recorded in the accounts of the province.

## **Accountability**

Departments are responsible for ensuring that all revenue, recoveries, and fees are recorded appropriately in their accounts.

Government Accounting provides appropriate disclosure in the province's financial statements.

## **Monitoring**

Government Accounting will monitor the policy's implementation, performance and effectiveness.

## **References**

PSAB Handbook Section PS 1200 Financial Statement Presentation  
PSAB Handbook Section PS 3100 Restricted Assets and Revenues  
PSAB Handbook Section PS 3410 Government Transfers

## **Enquiries**

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