



City of  
**Peterborough**

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**To:** Members of the Peterborough Environmental Advisory Committee

**From:** Michael Papadacos, Manager of Infrastructure Management Division

**Meeting Date:** June 16, 2021

**Subject:** Report PEAC21-020  
PSAB and Natural Assets on Financial Statements

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## **Purpose**

A report to update the PEAC on the motion passed at the May 19, 2021 PEAC meeting to review the request to support the removal of the explicit exclusion of natural assets from the Public Sector Accounting Board's (PSAB) Financial Statement Presentation standard, Section PS 1202.

## **Recommendation**

That the PEAC approve the recommendation outlined in Report PEAC21-020, dated June 16, 2021, of the Manager of Infrastructure Management Division, as follows:

That a verbal report to update the PEAC on the motion related to PSAB and Natural Assets on Financial Statements, be received for information.

## **Budget and Financial Implications**

There are no budget or financial implications associated with the recommendation of this report.

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## Background

The Public Sector Accounting Board (PSAB) is preparing a revised Conceptual Framework for Financial Reporting in the Public Sector and is soliciting feedback from stakeholders.

The current Conceptual Framework specifies that certain types of assets are to be excluded from recognition in financial statements. “These exclusions relate to:

- Natural resources and Crown lands that have not been purchased;
- Developed and inherited intangibles; and
- Works of art and historical treasures.”

The PSAB is proposing to relocate these exclusions from the Conceptual Framework to its new standard for Financial Statement Presentation, Section PS 1202. It says, “such exclusions are standards-level decisions, not concepts underlying financial statements.” The PSAB has concluded that “before these exclusions can be removed, each type of economic resource must be considered individually. Appropriate guidance regarding their recognition and measurement must be provided.”

The Intact Centre for Climate Adaptation at the University of Waterloo is coordinating a response from multiple agencies and organizations including the Insurance Bureau of Canada, Asset Management Ontario, KPMG, the Municipal Natural Assets Initiative and others. This group is providing a response to the PSAB to recommend, “that the explicit exclusion of non-purchased natural resources to be removed from the proposed new Financial Statement Presentation standard, Section PS 1202. This exclusion of natural assets from financial statements means that resources available to public-sector entities are not faithfully represented. The removal of this exclusion – thereby permitting the inclusion of natural assets – would not require a public-sector entity to recognize its natural assets.”

At the May 19, 2021 meeting of PEAC the following motion was passed:

**That staff be directed to review the proposal for the removal of the exclusion needed for public-sector accounting to be able to reflect the monetary value of natural assets in Canada, such as carbon sequestration and storage, flood protection and biodiversity benefits.**

**And that staff review with the CAO and the Commissioner of Corporate and Legislative Services, the request for a signatory from the City of Peterborough in support of the proposal for the explicit exclusion of non-purchased natural resources to be removed from the proposed new Financial Statement Presentation standard, Section PS 1202.**

The basis of this request is to address the market failures that do not place financial value on the ecosystem services provided by natural assets (i.e., woodlands/forests, wetlands, watercourses, open spaces). These assets provide services on which the community relies that would need to be replaced by engineered systems at great expense if they were to be mismanaged (i.e., removal of wetland that provides stormwater storage that would need to be replaced by pipes and tanks).

This matter has been placed on the agenda of the Administrative Staff Committee meeting on June 16, 2021 and an update is not available at the time of drafting this report. A verbal update will be provided to PEAC regarding this matter.

Submitted by,

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Manager, Infrastructure Management Division

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