

DEFINING THE GOVERNMENT REPORTING ENTITY	DEFINING A GOVERNMENT BUSINESS ENTERPRISE (GBE)
Definition	Definition
<p>Government Reporting Entity – should comprise government components and those organizations that are controlled by the government.</p> <p>Governmental unit – is a government component, government not-for-profit organization or other government organization.</p> <p>Control - Is the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization’s activities.</p> <p>Indicators of Control (more persuasive evidence of control)</p> <ul style="list-style-type: none"> ○ the power to unilaterally appoint or remove a majority of the members of the governing body of the organization. ○ ongoing access to the assets of the organization, the ability to direct the ongoing use of those assets, or ongoing responsibility of losses. ○ holds the majority of the voting shares or a “golden share” that confers the power to govern the financial and operating policies of the organization. ○ unilateral power to dissolve the organization and thereby access its assets and become responsible for its obligations. <ul style="list-style-type: none"> • Other indicators that may provide evidence of control are listed in PS 1300.19. • In weighing the evidence, it would be necessary to consider indicators collectively as well as individually. The degree of importance of an indicator depends on the particular circumstances in each case. • Ability to regulate an organization does not, in and of itself, constitute control. Government may establish the regulatory environment in an industry or sector within which organizations operate and impose conditions or sanctions on their operations. • An organization’s financial dependence on the government, in and of itself, does not constitute control. 	<p>A GBE has all of the following characteristics:</p> <ul style="list-style-type: none"> • it is a separate entity with the power to contract in its own name and that can sue and be sued. • it has been delegated the financial and operational authority to carry on a business. • it sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity, and • it can, in the normal course of the operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity.
	Accounting
	<ul style="list-style-type: none"> • GBEs should be accounted for by the modified equity method in accordance with the requirements in Section PS 3070 <i>Investments in Government Business Enterprises</i>. • The government’s interests in partnerships would be accounted for in accordance with Section PS 3060 <i>Interests in Partnerships</i>.
	Disclosure
	See “Disclosure” section of Government Reporting Entity.
	TRUSTS UNDER ADMINISTRATION
	Definition
	Trusts are defined as property that has been conveyed or assigned to a trustee to be administered as directed by agreement or statute. In a trust relationship, the trustee holds title to property for the benefit of, and stands in a fiduciary relationship to, the beneficiary.
Accounting	Accounting
<ul style="list-style-type: none"> • Government financial statements (FS) should consolidate the FS of governmental units. • Include on proportionate consolidation basis, where a non-controlling interest exists. • The government’s interests in partnerships would be accounted for in accordance with Section PS 3060 <i>Interests in Partnerships</i>. 	Trusts administered by a government, government component or government organization should be excluded from the government reporting entity.
Disclosure	Disclosure
Government financial statements should disclose, in notes or schedules, a listing of the major components and organizations comprising the reporting entity, separately identifying those that are consolidated and those that are accounted for by the modified equity method.	Government FS should disclose, in a note or schedule, a description of trusts administered by a government, government component or government organization, and a summary of trust balances.