




# Common Government Reporting Model




ABORIGINAL SERVICES

MEYERS NORRIS PENNY LLP




## Outline

- Focus on Financial Statement Presentation Required under PS 1200
- Changes to Chart of Accounts
- Best Practices Financial Statements




ABORIGINAL SERVICES


MEYERS NORRIS PENNY LLP




## Background

- Public Sector Accounting Board (PSAB) of the CICA sets accounting standards and guidelines for the public sector
- PSAB standards and guidelines are found in the Public Sector Accounting (PSA) Handbook





ABORIGINAL SERVICES  MEYERS NORRIS PENNY LLP




## Background

- The PSA Handbook is the primary authoritative source of generally accepted accounting principles (GAAP) for the public sector
- Public sector refers to federal, provincial, territorial and local governments, government organizations, government partnerships, and school boards





ABORIGINAL SERVICES  MEYERS NORRIS PENNY LLP




## Background

- In the CICA Report *Financial Reporting by First Nations*, published in 2008, it was recommended that First Nation governments present annual financial statements according to the PSA Handbook, including use of the common government reporting model.





ABORIGINAL SERVICES  MEYERS NORRIS PENNY LLP

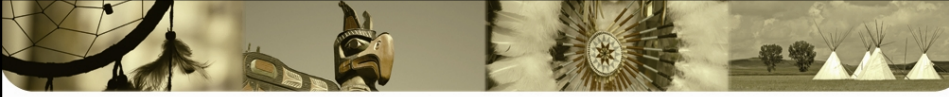


## Background

- Although First Nations are not explicitly mentioned in PSA Handbook, INAC requires a First Nation to prepare their financial statements in accordance with the PSA Handbook.
- Effective for year-ends beginning on or after January 1, 2009 GAAP for local governments will be the same as the current standards for senior government levels.





ABORIGINAL SERVICES  MEYERS NORRIS PENNY LLP



## Common Government Reporting Model

Four Financial Statements Required:

- Statement of Financial Position
- Statement of Operations
- Statement of Cash Flow
- Statement of Changes in Net Debt





## Statement of Financial Position

Previous Format:

Assets = Liabilities plus Equity

Results in a *Balanced* Statement of Financial Position.






## Statement of Financial Position

PS 1200 Format:

Financial Assets less Liabilities = Net Debt

Net Debt less Non-financial assets =  
Accumulated Surplus/Deficit




## Statement of Financial Position

Differences

A. Liabilities  
All liabilities are considered financial liabilities.







## Statement of Financial Position

### Differences

B. Assets

- split in two categories:
  1. Financial assets
  2. Non-financial assets




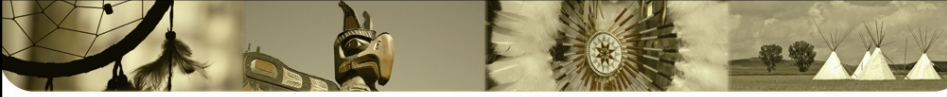
## Statement of Financial Position

### Financial Assets

All assets that are expected to be converted to cash.

- Financial assets are able to be used to pay down liabilities.
- Normally a form of cash, investment or receivable. However, inventories held for resale would also be considered a financial asset as it will be converted to cash upon sale.







## Statement of Financial Position

Non-financial Assets


All assets that are acquired, constructed or developed and do not provide resources to discharge liabilities.

- Used to deliver government services
- Consumed in the course of operations
- Not for sale in normal course of operations

## Exercise 1 - Assets

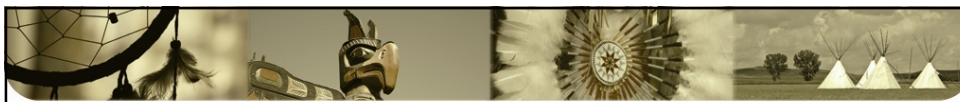
**1A** - Using the Sample First Nation financial statements, let's identify which assets will be considered Financial assets and which assets will be Non-financial assets





## Exercise 1A – Non-financial Assets


As Previously Reported	Reported Under PS 1200
<b>Assets</b>	<b>Financial Assets</b>
<b>Current</b>	
Unrestricted Cash	
Accounts Receivable	
Prepaid expenses and deposits	
<b>Long-term assets</b>	<b>Non-financial Assets</b>
Restricted cash	
Capital Assets	
Investments	



## Exercise 1A – Financial Assets


As Previously Reported	Reported Under PS 1200
<b>Assets</b>	<b>Financial Assets</b>
<b>Current</b>	Unrestricted cash
Unrestricted Cash	Accounts receivable
Accounts Receivable	Restricted cash
Prepaid expenses and deposits	Investments
<b>Long-term assets</b>	<b>Non-financial Assets</b>
Restricted cash	Prepaid expenses and deposits
Capital Assets	Tangible Capital Assets
Investments	




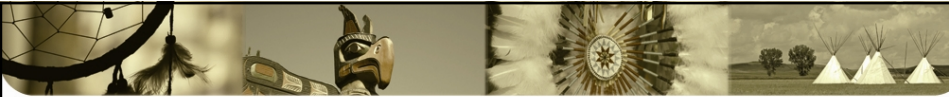


## Exercise 1A - Discussion

It is important to note that no new general ledger accounts were required as part of the process of sorting the assets into the two different categories.





ABORIGINAL SERVICES  MEYERS NORRIS PENNY LLP




## Exercise 1 - Assets

**1B** - Now, using the Financial Statements for your First Nation government, identify which assets are considered financial assets and which are Non-financial assets.






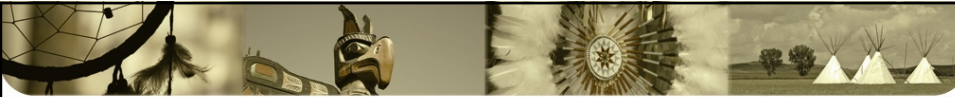
ABORIGINAL SERVICES  MEYERS NORRIS PENNY LLP



## Exercise 1B – Assets

As Previously Reported	Reported Under PS 1200
Assets	Financial Assets
Current	
	Non-financial Assets
Long-term assets	










## Net Debt

PS 1200 Format:

As mentioned earlier, the Statement of Financial Position is now intended to show a Net Debt figure.

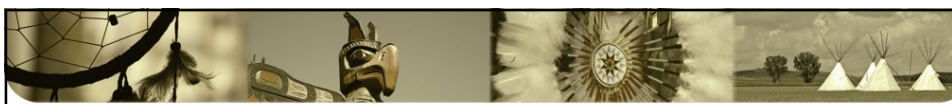






## Net Debt


Financial Assets less Liabilities  
**= Net Debt**


**OR, if positive,**  
Financial Assets less Liabilities  
**= Net Financial Assets**



## Exercise 2 – Net Debt




**2A - Calculate the Net Debt for the Sample First Nation**

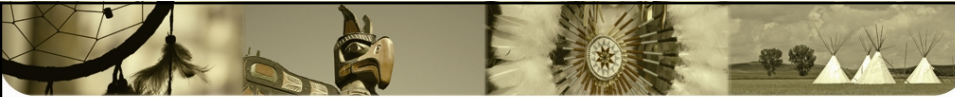




## Exercise 2A – Net Debt




<b>Financial Assets</b>	
Unrestricted cash	
Accounts receivable	
Restricted cash	
Investments	
<b>Liabilities</b>	
<b>Net Debt</b>	








## Exercise 2A – Net Debt




<b>Financial Assets</b>	
Unrestricted cash	2,384,740
Accounts receivable	1,915,370
Restricted cash	177,220
Investments	<u>245,572</u>
	<b>4,722,902</b>
<b>Liabilities</b>	<b><u>8,732,145</u></b>
<b>Net Debt</b>	<b>(4,009,243)</b>



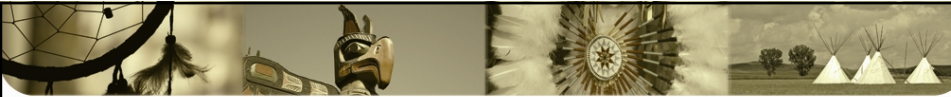
## Exercise 2A - Discussion

It is important to note that no new general ledger accounts were required as part of the process of formatting the Statement of Financial Position to show the calculation of Net Debt.






ABORIGINAL SERVICES

MEYERS NORRIS PENNY LLP




## Exercise 2 – Net Debt

**2B** - Calculate the Net Debt for your First Nation government






ABORIGINAL SERVICES


MEYERS NORRIS PENNY LLP



## Exercise 2B – Net Debt

<b>Financial Assets</b>	
<b>Total Financial Assets</b>	
<b>Liabilities</b>	
<b>Net Debt</b>	







## Accumulated Surplus

PS 1200 Format:

As mentioned earlier, the Statement of Financial Position is now intended to disclose the Accumulated Surplus for the First Nation.




Net Debt plus Non-financial assets  
= **Accumulated Surplus**








## Exercise 3 – Accumulated Surplus




**3A – Calculate the Accumulated Surplus for the Sample First Nation**








## Exercise 3A – Accumulated Surplus




<b>Net Debt</b>	
<b>Non-Financial Assets</b>	
<b>Accumulated Surplus</b>	








## Exercise 3A – Accumulated Surplus




<b>Net Debt</b>	<b>(4,009,243)</b>
<b>Non-Financial Assets</b>	
Prepaid expenses and deposits	29,836
Tangible Capital Assets	<u>20,539,112</u>
	<b><u>20,568,948</u></b>
<b>Accumulated Surplus</b>	<b>16,559,705</b>

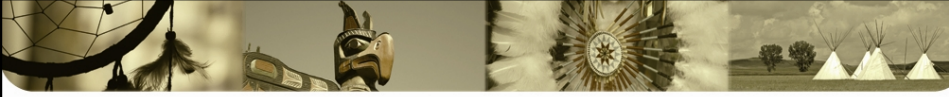






## Exercise 3A - Discussion




It is important to note that the Accumulated Surplus amount is equal to the Members' Equity figure on the Sample First Nation financial statements. However, in accordance with PS 1200 requirements, disclosure of all other Fund balances has been eliminated.




## Exercise 3A - Discussion

The Accumulated Surplus has been shown as one line item. As we will discuss later, the various accounts in the general ledger which are used to track the different amounts in each equity fund will no longer be necessary. Only one general ledger account will be required to track Accumulated Surplus.






ABORIGINAL SERVICES

MEYERS NORRIS PENNY LLP




## Exercise 3 – Accumulated Surplus

**3B** – Calculate the Accumulated Surplus for your First Nation government.






ABORIGINAL SERVICES

MEYERS NORRIS PENNY LLP



## Exercise 3B – Accumulated Surplus

Total Net Debt (from Exercise 2B)	
Non-Financial Assets	
Total Non-Financial Assets	
Accumulated Surplus	




## Take a Break!












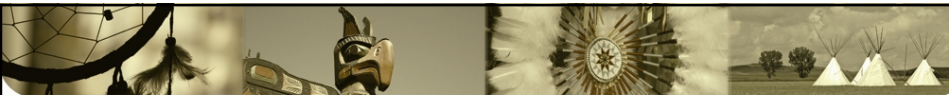
## Statement of Operations

Reflects revenues and expenses during the year.

The related statement may have previously been called the Statement of Revenue, Expenditures and Surplus (or something similar).






ABORIGINAL SERVICES MEYERS NORRIS PENNY LLP




## Statement of Operations

Previously may have presented revenue and expenses of particular fund(s).

Under PS 1200, will show all of the revenue and expenses for the First Nation government.







ABORIGINAL SERVICES MEYERS NORRIS PENNY LLP



## Statement of Operations

### Amortization




Amortization may have previously been reported as a result of amortization recorded on CMHC Housing projects or it may have been disclosed within the long-term debt repayments amount.

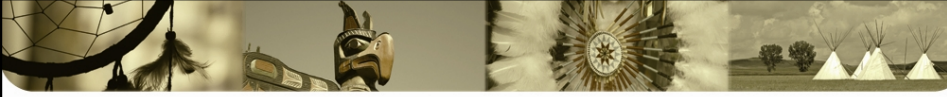


## Statement of Operations

### Amortization

However, amortization expense will now be recorded in order to reflect the ongoing use of **ALL** Tangible Capital Assets reported as part of the Consolidated Financial Statements.







## Statement of Operations

### Amortization


Previously, this was recorded on the statement of changes in Net Assets as a reduction in the Capital Fund. However, it is now going to be recorded as a regular expense.





## Statement of Operations

### Items not included in revenues

1. Reductions to revenue for deferrals to future periods in situations when eligibility requirements have been met – PS 3410.07 and 3410.48 (ex. capital funding spent during the year).
2. Bank financing for capital projects – PS 1000.47
3. Internally generated revenues – PS 2500









## Statement of Operations

Items not included in expenses

1. Expenses resulting from internal charges – PS 2500  
(ex. Administration)
2. Tangible Capital Asset purchases – PS 1000
3. Principal payments of long-term debt – PS 1000.50






MEYERS NORRIS PENNY LLP




## Exercise 4 – Statement of Operations

**4A** - Using the Sample First Nation financial statements, remove all of the revenues and expenses that will no longer be included as part of the PSA Common Government Reporting Model.






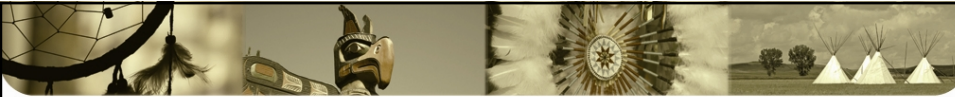
MEYERS NORRIS PENNY LLP



## Exercise 4A – Stmt of Operations




Items to be removed	
Revenues	
Expenses	








## Exercise 4A – Stmt of Operations




Items to be removed	
Revenues	
Administration fees	189,944
First Nation Corporations	794,608
Revenue deferred to subsequent year	?
Expenses	
Administration fees	189,944
Long-term debt repayments	197,797
Equipment purchases	311,461

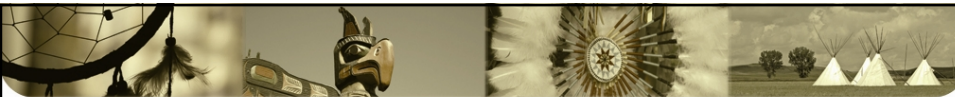






## Exercise 4 – Statement of Operations




**4B** - Using financial statements for your First Nation, remove all of the revenues and expenses that will no longer be included as part of the PSA Common Government Reporting Model.

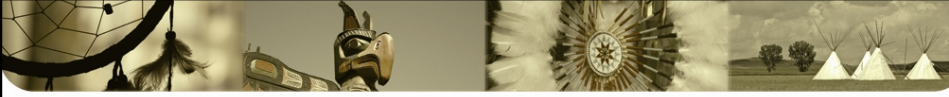






## Exercise 4B – Stmt of Operations



<b>Items to be removed</b>	
<b>Revenues</b>	
<b>Expenses</b>	




## Exercise 4 – Discussion


Removal of these items from operating revenues and expenses will result from changes to general journal entries. In the next few slides, we consider the entries to record various transactions. We compare possible entries if the PSA Handbook was not adopted and compare to the entries requires under the PSA Handbook.



## Example 1 Administration fees

Example:  
The First Nation head office charges the First Nation Health department \$10,000 for administration.





**Example 1**  
**Administration fees**


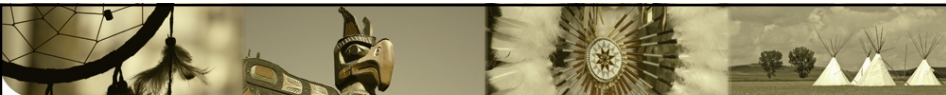
The initial entry to record this transaction is:

**First Nation Band**

Dr. Administration receivable	\$10,000	
Cr. Administration revenue		\$10,000

**First Nation Health department**

Dr. Health administration expense	\$10,000	
Cr. Health payable to Administration		\$10,000

**Example 1**  
**Administration fees**


Consolidation entry


Not adopting PSA Handbook – consolidation entry

Dr. Health payable to Administration	\$10,000	
Cr. Administration receivable		\$10,000

Comment:

The revenues and expenses were not eliminated.





## Example 1 Administration fees

### Consolidation entry


Under PSA Handbook – consolidation entry

Dr. Health payable to Administration	\$10,000	
Cr. Band receivable		\$10,000
Dr. Administration revenues	\$10,000	
Cr. Health administration expense		\$10,000

Comment:  
The revenues and expenses are also eliminated.











## Example 1 – Administration fees




<b>Not Adopting PSA Handbook</b>	
<b>Revenue</b>	
Administration	\$10,000
<b>Expenses</b>	
Administration	\$10,000
<b>Annual Surplus (Deficit)</b>	\$ -

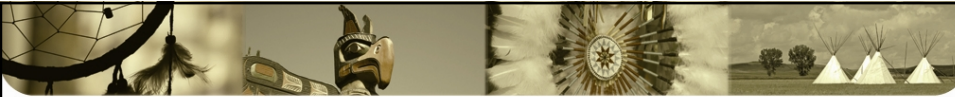






## Example 1 – Administration fees

Under PSA Handbook	
Revenue	\$ 0
Expenses	\$ 0
Annual Surplus (Deficit)	\$ -






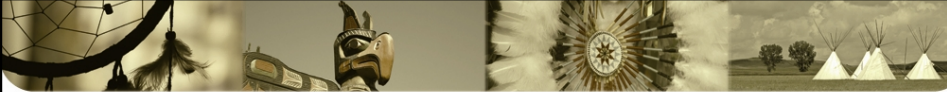
## Example 2a Obtaining a new construction loan

Example:  
The First Nation gets a new loan for a school addition.

- Not adopting PSA Handbook
 

Dr. Cash	\$500,000
Cr. Debt	\$500,000
Dr. Capital Fund	\$500,000
Cr. Loan revenue	\$500,000



### Example 2a




#### Obtaining a new construction loan


Example:  
The First Nation gets a new loan for a school addition.

- Under PSA Handbook
 

Dr. Cash	\$500,000
Cr. Debt	\$500,000

*No new accounts, no revenue recorded*






### Example 2b


#### Recording a TCA purchase

Example:  
The First Nation constructs a school addition for 480,000.

- Not adopting PSA Handbook
 

Dr. TCA – school	\$480,000
Cr. Cash	\$480,000
Dr. School construction expense	\$480,000
Cr. Capital Fund	\$480,000











### Example 2b Recording a TCA purchase

Example:  
The First Nation constructs a school addition for 480,000.




- Under PSA Handbook  
 Dr. TCA – school asset \$480,000  
 Cr. Cash \$480,000  
*No new accounts, no expense recorded*








### Example 2 – TCA purchase




<b>Not adopting PSA Handbook</b>	
<b>Revenue</b>	
Loan revenue	\$500,000
<b>Expenses</b>	
School addition expense	\$480,000
<b>Annual Surplus (Deficit)</b>	\$20,000








## Example 2 – TCA purchase

Under PSA Handbook	
Revenue	\$0
Expenses	\$0
Annual Surplus (Deficit)	\$0











## Example 3a Deferred contributions

Example:

In February 2010, the First Nation receives a government transfer of \$200,000 to build a new office. The funds must be spent on a new office. The First Nation did not have time to use the money before March 31.






### Example 3a


## Deferred Contributions and Amortization

Under PSA Handbook

Dr. Cash	\$200,000		
Cr. Deferred revenue		\$200,000	

The First Nation can't recognize as revenue because eligibility criteria has not been met (the eligible purchases of new office construction have not been incurred).






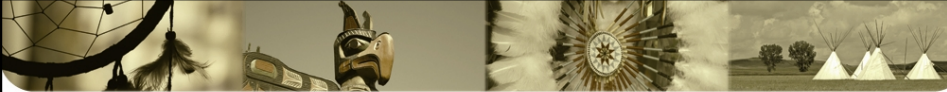
### Example 3b

## Deferred Contributions and Amortization

Example:

In April 2010, the First Nation builds an office that cost \$197,000.











**Example 3b**  
**Deferred Contributions and Amortization**

Not adopting PSA Handbook

Dr. TCA expense - Office	\$197,000
Cr. Cash	\$197,000
Dr. Deferred revenue	\$200,000
Cr. Revenue	\$200,000











**Example 3b**  
**Deferred Contributions and Amortization**

Under PSA Handbook

Dr. TCA asset - Office	\$197,000
Cr. Cash	\$197,000
Dr. Deferred revenue	\$197,000
Cr. Revenue	\$197,000







### Example 3b

## Deferred Contributions and Amortization

Under PSA Handbook

\$3,000 in funding remains as deferred revenue as eligible expenditures have not been incurred for this amount. The office purchases are included as an asset, not as an expense.






### Example 3c

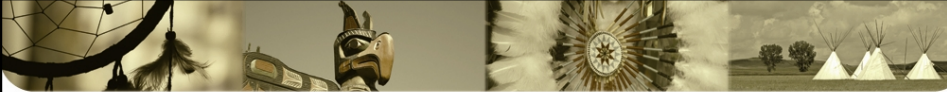
## Deferred Contributions and Amortization

Example:

The First Nation applied a full year of amortization expense to the new office constructed at the beginning of the year. The First Nation used a straight-line amortization assuming no salvage value after 25 years.

Amortization =  $197,000/25 = \$7,880$







**Example 3b**  
**Deferred Contributions and Amortization**

Not adopting PSA Handbook

Dr. Capital Fund	\$7,880
Cr. Accumulated Amortization	\$7,880

No entry affecting statement of operations







**Example 3c**  
**Deferred Contributions and Amortization**

Under PSA Handbook

Dr. Office amortization expense	\$7,880
Cr. Accumulated Amortization	\$7,880




Amortization expense is now recognized in the program where the TCA is being used.

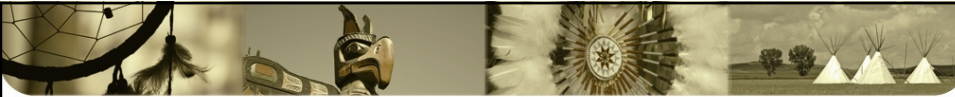






### Example 3 – Deferred contributions




<b>Not Adopting PSA Handbook</b>	
<b>Revenue</b>	
Government funding	\$200,000
<b>Expenses</b>	
Office expense	\$197,000
<b>Annual Surplus (Deficit)</b>	<b>\$3,000</b>

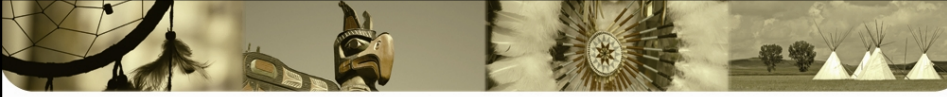






### Example 3 – Deferred contributions




<b>Under PSA Handbook – YEAR 1</b>	
<b>Revenue</b>	
Government funding	\$197,000
<b>Expenses</b>	
Amortization expense	\$7,880
<b>Surplus</b>	<b>\$189,120</b>








## Example 3 – Deferred contributions

Under PSA Handbook – YEAR 2	
<b>Revenue</b>	
Government funding	\$0
<b>Expenses</b>	
Amortization expense	\$7,880
<b>Annual Surplus (Deficit)</b>	<b>(\$7,880)</b>








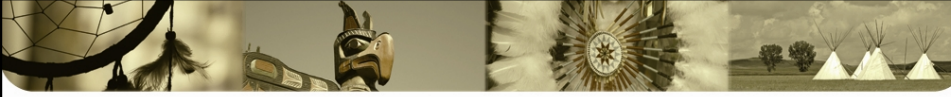


## Statement of Operations

### Presentation of expenses

The Statement of Operations will now present expenses according to function or program categories. Expenses will still be required to be disclosed by object (ex. interest, salaries, etc.) but this should be done in a separate schedule or note.










## Statement of Operations

### Sample First Nation

Please view the Sample First Nation's revised Consolidated Statement of Revenue, Expenditures and Surplus (Deficit) in accordance with the requirement to disclose expenses by major program or function. This is included in your package of handout materials. This statement would now be referred to as the Statement of Operations.



ABORIGINAL SERVICES

MEYERS NORRIS PENNY LLP




## LUNCH







ABORIGINAL SERVICES

MEYERS NORRIS PENNY LLP



## Statement of Change in Net Debt




The statement of changes in Net Debt is intended to reconcile the net debt at the end of the year with the net debt at the beginning of the year.




### Exercise 5

#### Calculate Change in Net Debt

We have previously calculated the net debt for the last fiscal year for both the Sample First Nation as well as for your First Nation.









## Exercise 5

### Calculate Change in Net Debt

5a - Now we need to calculate the change in net debt for the Sample First Nation. To start, calculate the net debt for the prior year. Then calculate the difference between the net debt of the current year and the net debt of the prior year.











## Exercise 5a

### Calculate Change in Net Debt

<b>Financial Assets</b>	<b>2009</b>	<b>2008</b>
Unrestricted cash	2,384,740	
Accounts receivable	1,915,370	
Restricted cash	177,220	
Investments	<u>245,572</u>	
	<b>4,722,902</b>	
<b>Liabilities</b>	<b><u>8,732,145</u></b>	
<b>Net Debt</b>	<b>(4,009,243)</b>	











### Exercise 5A

#### Calculate Change in Net Debt

Financial Assets	2009	2008
Unrestricted cash	2,384,740	1,985,850
Accounts receivable	1,915,370	2,101,635
Restricted cash	177,220	125,941
Investments	245,572	182,129
	<u>4,722,902</u>	<u>4,395,555</u>
<b>Liabilities</b>	<b><u>8,732,145</u></b>	<b><u>7,413,715</u></b>
<b>Net Debt</b>	<b>(4,009,243)</b>	<b>(3,018,160)</b>











### Exercise 5A

#### Calculate Change in Net Debt

<b>Financial Assets</b>		
2009 Net Debt	XXX,XXX	
2008 Net Debt	<u>XXX,XXX</u>	
<b>Change in Net Debt</b>	<b>XXX,XXX</b>	






## Exercise 5A


### Calculate Change in Net Debt

2009 Net Debt	(4,009,243)
2008 Net Debt	<u>(3,018,160)</u>
Change in Net Debt	(991,083)

**Net Debt has increased by \$991,083. This shows a deterioration in the First Nation's ability to meet it's financial liabilities.**

**The First Nation either requires more funding or less spending or a combination of both to address the increase in Net Debt.**











## Exercise 5

### Calculate Change in Net Debt

5B – Calculate the Change in Net Debt for your First Nation.











### Exercise 5B

#### Calculate Change in Net Debt

	2009	2008
<b>Financial Assets</b>		
<b>Total Financial Assets</b>		
<b>Liabilities</b>		
<b>Net Debt</b>		








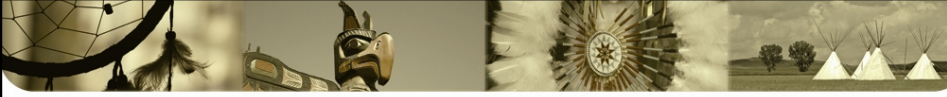


### Exercise 5B

#### Calculate Change in Net Debt

<b>2009 Net Debt</b>	
<b>2008 Net Debt</b>	
<b>Change in Net Debt</b>	









## Statement of Change in Net Debt

*PS 1200.091*


The statement of change in net debt should report the extent to which the expenditures of the accounting period are met by the revenues recognized in the period.

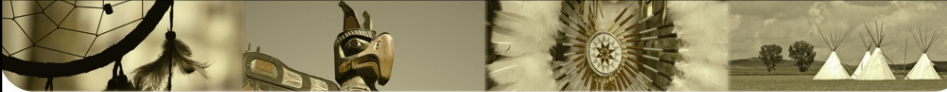



## Statement of Change in Net Debt

*PS 1200.092*




The statement of change in net debt should report the acquisition of tangible capital assets in the accounting period as well as other significant items that explain the difference between the surplus or deficit for the accounting period and the change in net debt in the period.






## Statement of Change in Net Debt

Since the tangible capital asset purchases and proceeds from capital financing are not included as expenses and revenues of the period, the Statement of Change in Net Debt is required in order to reconcile the surplus for the year with the changes to the financial assets and liabilities of the First Nation.











## Statement of Change in Net Debt

The Statement reconciles the annual surplus with the change in Net Debt, by factoring in:




1. Expenditures and receipts that affected financial assets and liabilities, but did not affect the annual revenues, expenses and surplus (ex. TCA purchases affect financial assets but do not affect expenses).
2. Amounts that were recorded as revenues or expenses of the year that did not affect financial assets or liabilities (amortization expense).









## Statement of Change in Net Debt




- The Statement of Change in Net Debt should include all changes to any non-financial assets.
- The statement of Change in Net Debt should present a comparison of the items that comprise the change in net debt for the accounting period, as well as the change in net debt for the period, with the figures originally planned
- Planned amounts should be presented for the same scope of activities and on a basis consistent with that used for actual amounts








	<b>Annual surplus</b>	28	1,376	2,551
Purchase of new capital assets →	Acquisition of tangible capital assets	(294)	(294)	(250)
Sale of old capital assets →	Proceeds on sale of tangible capital assets	0	46	72
	Amortization of tangible capital assets (depreciation)	226	226	230
Reversal of accrual accounting entries →	(Gain)/loss on sale of tangible capital assets	0	(5)	(19)
	Write-downs of tangible capital assets	0	24	44
		(68)	(3)	77



**The Statement of Change in Net Debt includes all changes to Tangible Capital Assets**





Spending to acquire non-financial assets	→	Acquisition of supplies inventories	0	0	(324)
	→	Acquisition of prepaid asset	0	(30)	(20)
Reversal of accrual accounting entries	→	Use of supplies inventories	0	110	102
	→	Use of prepaid asset	0	20	0
			<hr/>	<hr/>	<hr/>
			0	100	(242)

**The Statement of Change in Net Debt includes all changes to any other non-financial assets, such as prepaid expenses or inventories of supplies not held for sale.**




ABORIGINAL SERVICES






MEYERS NORRIS PENNY LLP





(Increase)/decrease in net debt	(40)	1,473	2,386
Net debt at beginning of year	(8,823)	(8,823)	(11,209)
Net debt at end of year	<u>(8,863)</u>	<u>(7,350)</u>	<u>(8,823)</u>

- Bottom of statement reconciles the Net Debt at the beginning of the year to the Net Debt at the end of the year.

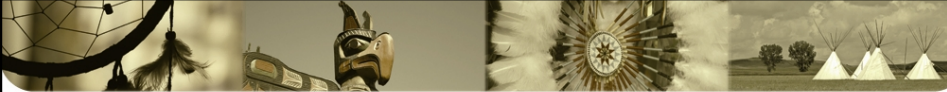


ABORIGINAL SERVICES









MEYERS NORRIS PENNY LLP



**Exercise 6**  
Prepare Statement of Change in Net Debt

Prepare the Statement of Changes in Net Debt for the Sample First Nation.











**Exercise 6**  
Prepare Statement of Change in Net Debt

Information:

1. TCA purchases – assume the First Nation paid \$1,997,671 on TCA purchases during the year.
2. TCA disposals – see Note 5 on page 11. Assume that the First Nation disposed of its TCA's for \$1,381,601.
3. Amortization is shown in the Capital Fund on page 5.







### Exercise 6

## Prepare Statement of Change in Net Debt

Information:

4. Assume use of prepaid assets = \$25,592. What is the amount of prepaid asset acquired during the year (see page 2).
5. Using the information of the proceeds from the sale of tangible capital assets in point 2, and by referring to the decrease in cost shown in Note 5, calculate the gain on the disposal.











### Exercise 6

## Prepare Statement of Change in Net Debt

	2009
Annual Surplus (deficit)	
Acquisition of tangible capital assets	
Proceeds on sale of tangible capital assets	
Amortization of tangible capital assets	
Gain on sale of tangible capital assets	
Use of prepaid asset	
Acquisition of prepaid asset	
<b>Change in Net Debt</b>	
Net debt, beginning of year	
Net debt, end of year	











## Exercise 6

### Prepare Statement of Change in Net Debt




	<b>2009</b>
<b>Annual Surplus (deficit)</b>	(406,290)
Acquisition of tangible capital assets	(1,997,671)
Proceeds on sale of tangible capital assets	1,381,601
Amortization of tangible capital assets	235,521
Gain on sale of tangible capital assets	(200,000)
Use of prepaid asset	25,592
Acquisition of prepaid asset	(29,836)
<b>Change in Net Debt</b>	<b>(991,083)</b>
<b>Net debt, beginning of year</b>	<b>(3,018,160)</b>
<b>Net debt, end of year</b>	<b>(4,009,243)</b>








## Statement of Cash Flow

The statement of Cash Flow presents changes in cash and cash equivalents resulting from operations and how a government financed its activities and met its cash requirements.

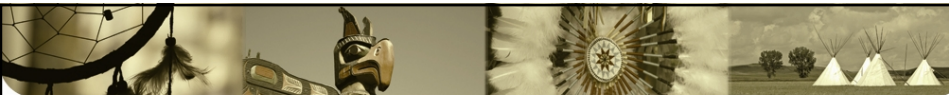







## Statement of Cash Flow


The Statement of Cash flow can be prepared using either of two methods:


1. Indirect Method
2. Direct Method



## Statement of Cash Flow

Indirect method  
Presents cash from operations by showing the changes in working capital accounts such as receivables and payables.









## Statement of Cash Flow

Direct method

Presents cash from operations in the same way as other cash activities, disclosing the specific source of activity that led to the change in cash.








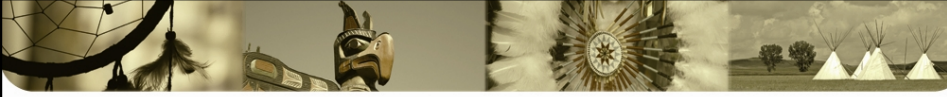


## Statement of Cash Flow

Changes under PSA Handbook

The only change to the Statement of Cash Flow for a First Nation will be that Capital Transactions will be added as a separate category of cash proceeds (or use).







## Statement of Cash Flow

Changes under PSA Handbook

This means there will now be 4 categories:

1. Operating activities
2. Capital activities
3. Investing activities
4. Financing activities











## Exercise 7

### Capital Activities in Statement of Cash Flow




Using the Sample First Nation Statement of cash flows, separate out the capital transactions into a separate category from the investing transactions. Which items would be included?

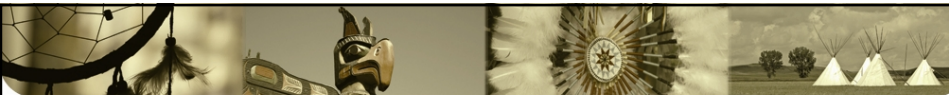






### Exercise 7 – Statement of Cash Flows




As Previously Reported	Reported Under PS 1200
<b>Investing activities</b>	<b>Investing activities</b>
Purchase of capital assets	?
Disposal (purchase) of investments	
	<b>Capital activities</b>
	?








### Exercise 7 – Statement of Cash Flows

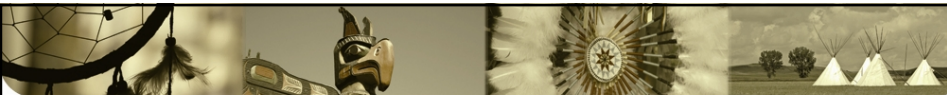



As Previously Reported	Reported Under PS 1200
<b>Investing activities</b>	<b>Investing activities</b>
Purchase of capital assets	Disposal (purchase) of investments
Disposal (purchase) of investments	
	<b>Capital activities</b>
	Purchase of tangible capital assets






## Statement of Changes in Net Assets

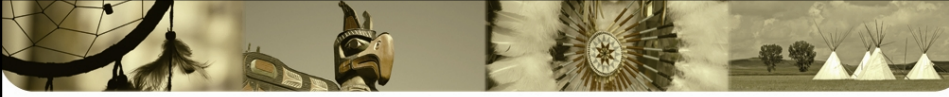
This statement is no longer required. All changes in net assets can be shown on the statement of operations. Ending Accumulated Surplus (Deficit) can be reconciled to Opening Accumulated Surplus (Deficit) on the Statement of Operations. However, PS 1200.74 still permits the reconciliation to be shown on a separate statement.



## Statement of Changes in Net Assets


Individual fund net assets that may have been reported by the First Nation are no longer permitted to be reported within the primary set of financial statements.






**General Ledger accounts to REMOVE**

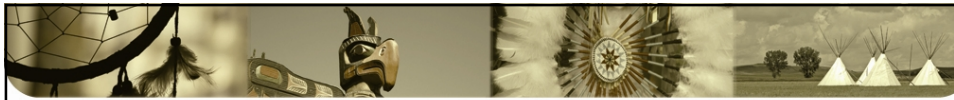
1. Only one equity account, Opening Accumulated Surplus, is required. All other equity accounts may be removed with their balances transferred to Opening Accumulated Surplus.



**General Ledger accounts to REMOVE**

2. Any revenue accounts that related to debt financing. Debt financing is no longer recorded as a revenue item.





### **General Ledger accounts to REMOVE**


3. Any expense accounts that related to tangible capital asset purchases. Such purchases are no longer expensed.



### **General Ledger accounts to ADD**



1. Amortization expense accounts for every program run by the First Nation which uses a Tangible Capital Asset that has a carrying value on the Statement of Financial Position.






**General Ledger accounts to ADD**


2. A First Nation may need to add more accounts to properly account for all of the First Nation's tangible capital assets, especially if the First Nation has set up increased categories of assets. A related Accumulated Amortization account will also need to be created for each asset account.

**Exercise 8**  
**Chart of Accounts**




Consider the Chart of Accounts for your First Nation. What new accounts will need to be added? Which ones will no longer be used and can be removed? Start thinking about this and make a list of accounts you identify.






## Exercise 8 Chart of Accounts




GL accounts to REMOVE	GL accounts to ADD

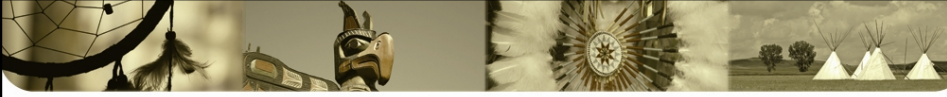






## Budgeting



Disclosure of budgeted figures is a requirement for the Statement of Operations and Net Debt which means you need to budget for everything including interest, amortization, etc.




(Name of Reporting Entity) Consolidated Statement of Operations for the year ended March 31, 2X10 (in \$000's)			
	2X10 <u>Budget</u>	2X10 <u>Actual</u>	2X09 <u>Actual</u>
Revenues			
INAC	6,382	7,464	6,655

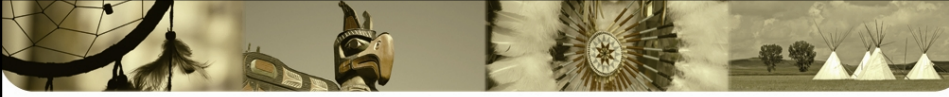
If not already started, the process of preparing a budget for the year ending March 31, 2010 should begin immediately.

## Nisga'a Lisims Government



This government body adopted the PSA Handbook for the preparation of its financial statements for 2009. The following slides identify some key items to be noted.






## Nisga'a Lisims Government

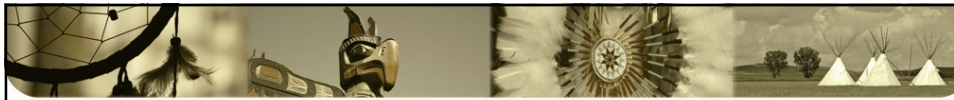
1. Management's responsibility for financial reporting.
  - Auditors should not be relied on for the purpose of maintaining and updating the financial records of the First Nation.



## Nisga'a Lisims Government

2. Due to Other Entities is a line included on page 4 in the long-term liabilities section. Loans to/from entities controlled by the government are eliminated upon consolidation, but loans to/from entities not controlled by the government are not eliminated.





## Nisga'a Lisims Government


3. On page 4, you can see that since the financial assets are greater than the liabilities, Net Financial Assets is reported as opposed to Net Debt.



## Nisga'a Lisims Government

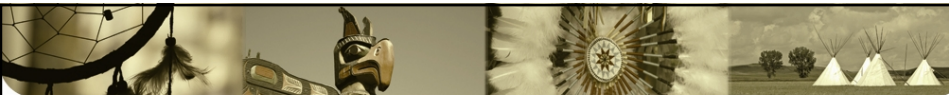



4. Also on page 4, you can see that the split between short term and long term financial assets and liabilities has been maintained.








## Nisga'a Lisims Government

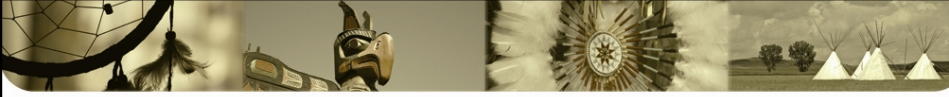
5. On page 6, you can see how the capital activities are separated out from the investing activities on the Statement of Cash Flows.



## Nisga'a Lisims Government




6. On page 8, you can see how the adoption of the PSA Handbook, on a retroactive basis, causes significant adjustments to opening balances. These adjustments are required to be disclosed.






## Nisga'a Lisims Government

7. On page 14, you can see how there is still significant disclosure regarding trust funds held, in order to distinguish these amounts from the rest of Accumulated Surplus.






ABORIGINAL SERVICES

MEYERS NORRIS PENNY LLP



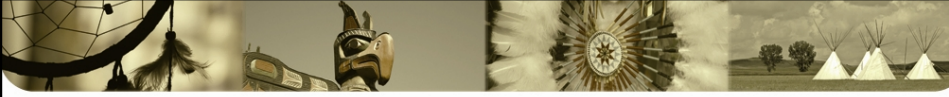
## Nisga'a Lisims Government

8. You can see that on page 17 there is a description of certain tangible capital assets. The amortization policies are disclosed on page 11. The required disclosures of additions, disposals, and other changes are shown on page 22.







ABORIGINAL SERVICES

MEYERS NORRIS PENNY LLP






## Nisga'a Lisims Government

9. Page 20 includes note 18, which discloses the expenses by object. Remember that on the Statement of Operations, it is required to disclose the expenses by function. The total in this note of \$20,508,598 agrees to page 3.

## Nisga'a Lisims Government

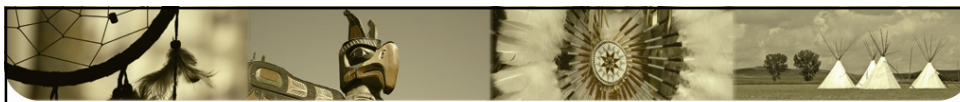
10. Page 21 shows related party transactions and balances in note 20. These disclosures are only for related parties that are not controlled by the government (such transactions and balances would have already been included through consolidation).



## Nisga'a Lisims Government

11. Page 23 and 24 show financial information broken out into 'segmented information', based on major categories that the First Nation management uses to track it's financial position.



## Questions & Answers

