



Financial Reporting for the Local Revenue Account

Aboriginal Finance Officers' Association
Conference

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Overview

- First Nations Fiscal and Statistical Management Act (“FSMA”)
- Local Revenue Account (“LRA”) Financial Reporting Standards

FSMA requirements for the LRA

- Additional financial reporting required for First Nations that make local revenue laws
- Local revenue laws include:
 - Taxation of reserve lands for local purposes
 - Authorization of the expenditure of local revenues
 - Borrowing of money from the First Nations Finance Authority (“FNFA”)



FSMA requirements for the LRA (continued)

- Local revenues represent moneys raised under a local revenue law. Examples include:
 - Property taxation
 - Taxes on businesses
 - Development cost charges
- Expenditures from the LRA may not exceed the local revenues, less any deficit from prior years
- A separate bank account is required
- An auditors' report on the LRA is required
- Annual budget of local revenues and expenditures is required



Reporting Standards for the LRA

- Reporting standards for the LRA are being developed
- Compliance with the new government reporting model under CICA Public Sector Accounting Standards will require:
 - Statement of Operations
 - Statement of Financial Position
 - Statement of Change in Net Debt
 - Statement of Cash Flows
 - Notes to the financial statements
- Financial statements will include only the assets, liabilities, revenues and expenditures of the LRA

Reporting Standards for the LRA (continued)

- Examples of assets and liabilities:
 - Cash
 - Property taxes receivable
 - Prepaid expenses
 - Loan from First Nations Finance Authority
 - Accounts payable and accrued liabilities
- Revenue categories will be specified
- Expense categories will be consistent with the FNTC expenditure law categories
- Other items to be considered
 - Reconciliation of revenues and expenditures - financial year to taxation year
 - Comparison of actual and budgeted revenues and expenditures



Summary

- First Nations with local revenue laws will prepare a separate set of financial statements for the LRA
- An audit is required of the LRA financial statements
- Reporting standards for the LRA will provide guidance for the basis of preparation and content of the financial statements

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