

TO: Regional Board

FROM: Carol Teschner
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SUBJECT: Guide to Understanding the Financial Statements

- ❑ The Public Sector Accounting Board (“PSAB”) adopted revised standards with which all local governments began to comply with in 2009. Some explanation of the Statements follows on the second page of this report.
 - The standards require the recognition of all non-financial assets including tangible capital assets, prepaid expenses and inventories of supplies as assets.
 - In addition, revenue from contributed assets, and amortization on tangible capital assets is recorded in the statement of operations.

- ❑ The PSA Financial Reporting Model:
 - Four Statements (the purpose of each is described on the next page):
 - Statement of Financial Position
 - Statement of Operations
 - Statement of Change in Net Financial Assets
 - Statement of Cash Flows
 - Summary of Significant Accounting Policies
 - Notes to Financial Statements & Schedules
 - Exhibits

- ❑ What does PSAB Do?
 - Serves the public interest by setting standards and providing guidance for financial and other performance information reported in the public sector
 - All governments in Canada are required, by legislation, to comply with PSA financial reporting requirements

- ❑ PSAB Vision & Goal:
 - Vision: “The public understands and has confidence in public sector accounting”
 - Goal: “The public sector produces a decision-useful, multi-dimensional accountability report”. (This is a little trickier for Regional Districts because of all the separate service areas, however, these statements do give an overall net picture of the organization – Decision making is typically required for each individual service).

Respectfully Submitted,



Carol Teschner,
Manager - Financial Services

The underlying goal of the Financial Reporting Model is to identify the net economic resources available to a government, their make-up and nature, and changes to them in the reporting period.

Economic Resources are the means to provide services or satisfy liabilities.

- Assets & Liabilities describe the net economic resources available at a point in time
- Revenues and Expenses explain the change in the net economic resources in the period

Reporting Statements - Purpose of Each Report Explained:

Statement of Financial Position (Pg 6)

- **Most important statement – all others tie into numbers on this statement.**
- Shows details of, and changes in, net economic resources. Definitions:
 - o Net Financial Assets/Debt are resources available to finance future operations, “prepaid service potential” (both operating and capital)
 - o Non-Financial Assets are resources typically to be consumed in service provision (including tangible capital assets, inventory, prepaid expenses, work in progress).
 - o Accumulated Surplus
 - o The sum of Net Financial Assets or liabilities & Non-Financial Assets.
 - o Tangible Capital Assets
 - o Economic Resources available to be consumed in the provision of services

Statement of Operations (Pg 7)

- Shows the extent to which revenues recognized were sufficient to offset the cost of the services provided for the fiscal year.
- Explains the change in net economic resources or Accumulated Surplus (shown on Statement of Financial Position, Page 6)
 - o Revenues – increases in economic resources
 - o Expenses – economic resources consumed to provide services

Statement of Change in Net Financial Assets (Pg 8)

- Shows the extent to which revenues recognized were sufficient to offset the cost of goods and services acquired
- Explains the change in Net Financial Assets (shown on Statement of Financial Position, Page 6)

Statement of Cash Flows (Pg 9)

- Explains the change in Cash & Cash Equivalents (shown on Statement of Financial Position, Page 6)
- Shows how cash requirements were met and activities financed

Summary of Significant Accounting Policies (Pgs 10 & 11): Disclose significant accounting practices.

Notes to the Financial Statements (Pgs 12-28): The Notes form part of the audited statements and provide additional detail and required disclosures.

Exhibits (Pgs 29-57): The exhibits break down the information by the General Fund, Water Fund, and Sewer Fund. These are provided for supplementary information primarily for Board and management use. While the account balances and transactions are reviewed during audit, the exhibit statements themselves are considered unaudited because they are not PSAB or legislative requirements. These balances all roll up to the audited statements.