

## accounting guideline

### PSG-4

### funds and reserves

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#### SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving FINANCIAL STATEMENT PRESENTATION, Section PS 1202.

- 5 Governments also establish funds and reserves that are not supported by assets. These are designations of accumulated and/or annual surplus / deficit to reflect a policy purpose, to assist with fiscal management or to demonstrate compliance with legislation.
- 6 Separate reporting on the financial statements of funds and reserves not supported by assets would be inconsistent with FINANCIAL STATEMENT PRESENTATION, Section PS 1201, and RESTRICTED ASSETS AND REVENUES, Section PS 3100.
- 7 Therefore, when a government chooses to provide information about any funds or reserves, it does so only in the notes and schedules and not on the statement of financial position. The creation of, addition to or deduction from funds and reserves does not create a revenue or expense, and would therefore not be reported on the statement of operations.
- 8 These principles are consistent with those established in FINANCIAL STATEMENT PRESENTATION, Section PS 1201, which sets out the indicators for consolidated financial statements and specifies the residual amounts of the financial statements. 1
- 9 FINANCIAL STATEMENT PRESENTATION, paragraph PS 1201.040, establishes that the statement of financial position reports net debt and the accumulated surplus / deficit as the two indicators that together explain the financial position at the financial statement date. The accumulated surplus / deficit is the residual amount of the statement of financial position.
- 10 Likewise, consistent with FINANCIAL STATEMENT PRESENTATION, paragraph PS 1201.078, the residual amount of the statement of operations is the ending accumulated surplus / deficit unless a separate statement reconciling the beginning and ending accumulated surplus / deficit with surplus / deficit for the period is provided. In this case, the residual amount for the statement of operations is the surplus / deficit for the period.

#### TRANSITIONAL PROVISIONS

- 12 This Guideline applies to local governments that have adopted FINANCIAL STATEMENT PRESENTATION, PS 1201.
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## Footnotes

1. The residual balance on a financial statement refers to the final number or "bottom line" of the financial statement.
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