

SECTION PS 1200

financial statement presentation

See also FINANCIAL STATEMENT PRESENTATION,
Section PS 1200 (supplement)
FOR FUTURE UPDATES TO THIS SECTION, see new Section PS 1201.

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PURPOSE AND SCOPE

- .001 This Section establishes general reporting principles and standards for the disclosure of information in government financial statements. The principles and standards are based on the concepts underlying government financial statements in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and the objectives of government financial statements set out in FINANCIAL STATEMENT OBJECTIVES, Section PS 1100.
- .002 "Financial statements" refers to the summary financial statements published by a government that report on the financial position and changes in financial position of the government reporting entity. Such statements present aggregated information and serve as a means by which a government demonstrates its accountability for the resources, obligations and financial affairs for which it is responsible. They report information required to make assessments of and judgments on government financial operations and management. Financial statements are not intended, however, to provide all of the information needed to assess government financial condition or the efficiency and effectiveness of government operations. Such assessments require information additional to that provided in the financial statements.

- .003 In this Section, the term "net debt" is used to describe the first indicator of a government's financial position. When a government's financial assets exceed its liabilities, this indicator of a government's financial position would be termed "net financial assets", and a government would prepare a statement of change in net financial assets.

GENERAL REPORTING PRINCIPLES

- .004 The function of financial statements is to communicate information to users that is relevant to the needs of those for whom the statements are prepared, reliable, comparable, understandable and clearly presented in a manner that maximizes its usefulness. These general reporting principles provide guidance on the reporting of information in financial statements to fulfill that function.
- .005 ♦ *The financial statements of a government should be clearly identified and should include or be accompanied by an acknowledgment of the government's responsibility for their preparation.* [APRIL 2005]
- .006 The financial statements prepared to report on a government's financial position, results of operations, change in net debt, and cash flow need to be clearly identified. If included in the Public Accounts or other document, the financial statements, and the notes and schedules integral to them, would be presented together. The financial statements must include an acknowledgment of the government's responsibility for their preparation to ensure that users are aware of who is responsible for their preparation and that the government has approved them. Such an acknowledgment could be expressed in narrative form signed by the appropriate minister or elected official, or a delegated government official.
- .007 ♦ *Notes and schedules that are integral to the financial statements should be clearly identified.* [APRIL 2005]
- .008 Notes and schedules that are integral to the financial statements report information that is necessary for a fair presentation of a government's financial position, results of operations, change in net debt, and cash flow. They are useful for clarifying and explaining items in the financial statements and are cross-referenced to the specific financial statement items to which they relate. They have the same significance as if the information or explanations were set forth in the body of the statements themselves.
- .009 Some governments include references to information provided in other, separate financial statements and reports to help users find additional information about specific financial statement items. Those other financial statements and reports are not a part of a government's financial statements. References to them need to be distinguished clearly from references to notes and schedules integral to the financial statements.
- .010 ♦ *Notes and supporting schedules in financial statements should not be used as a substitute for proper accounting treatment.* [APRIL 2005]
- .011 Financial statements include notes and schedules that are useful for the purpose of clarification or further explanation of items in the financial statements. Such notes and schedules cannot, however, be used as a substitute for proper accounting treatment. Inappropriate accounting treatment of financial statement items is not rectified either by disclosure of accounting policies used or by notes or explanatory schedules.
- .012 ♦ *Financial statements should present any information required for the fair presentation of a government's financial position, results of operations, change in net debt, and cash flow.* [APRIL 2005]
- .013 Fair note disclosure is not separable from fair presentation of financial statements generally, because classification and presentation within the statements of financial position, operations, change in net debt and cash flow provide the basis for fair disclosure, which is augmented and supported by the accompanying notes. When there are transactions, circumstances or events, of such size, nature or incidence that their disclosure is necessary to understand the government's financial position, results of operations, change in net debt and cash flows, a government would provide sufficient information about the extent and nature of such transactions, circumstances or events, so that the effect on the financial statements is transparent and understandable. This information would include the significant terms and conditions of such transactions, as well as the nature of such circumstances or events and their financial effects.
- .014 The CICA Public Sector Accounting Handbook (CICA PSA Handbook) provides guidance for determining the information required in financial statements for fair presentation of a government's financial position and changes in financial position, and for demonstrating a government's accountability for the financial results of its management of its resources, obligations and financial affairs. The determination of what information is needed in a particular case requires the exercise of professional judgment. No rule of general application can be phrased to suit all circumstances that may arise. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section PS 1150, describes what constitutes GAAP and its sources and provides guidance on sources to consult when a matter is not dealt with explicitly in the CICA PSA Handbook.
- .015 Public Sector Accounting Standards and Guidelines need not be applied to immaterial items. Materiality is a matter of professional judgment in the particular circumstances. Materiality may be judged in relation to the reasonable prospect of its significance in the making of assessments and judgments by the users of financial statements. A material item would be expected to affect assessments of and judgments on government financial operations and management.
- .016 ♦ *Financial statements should be presented in such form and use such terminology and classification of items that significant information is readily understandable.* [APRIL 2005]
- .017 Excessive detail, vague or overly technical descriptions, and complex presentation formats can result in confusion and misinterpretation. Financial statement formats, terminology and classifications should ensure that significant information is presented clearly and is readily understandable. Items not significant in themselves would be grouped with such other items as most closely approximate their nature.

- .018 ♦ *Financial statements should present a comparison of current period amounts with those of the prior period(s).* [APRIL 2005]
- .019 A comparison of current period amounts with those of the prior period(s) is important financial statement information. It helps users identify or compute trends in a government's financial position and changes in financial position, and make comparisons from one period to the next. To facilitate meaningful comparisons, prior period information needs to be reported on a basis and for a scope consistent with that used to report current period information.
- .020 ♦ *The bases for determining the reported amounts of assets and liabilities should be applied consistently and, where the bases are not self-evident, they should be disclosed.* [APRIL 2005]
- .021 Once a basis for determining and fairly presenting a class of assets or liabilities has been selected, it is presumed that it will be followed consistently from one period to another. Changes to such bases would be made only when they result in a more appropriate presentation. ACCOUNTING CHANGES, Section PS 2120, provides guidance for disclosure of changes in accounting policies.
- .022 ♦ *Financial statements should be issued on a timely basis.* [APRIL 2005]
- .023 Financial statement information is used to help make assessments of and judgments on government financial operations and management. The usefulness of information, however, diminishes as time elapses. Financial statements should be issued on a timely basis so that users can assess a government's financial results in the context of other current information. Financial statements should, therefore, be completed as soon as possible after the end of the accounting period and issued as soon as completed.
- .024 ♦ *Where the financial statements are subject to an independent audit, the auditor's report should be appended to the statements. Unaudited financial statements should be clearly identified as such.* [APRIL 2005]
- .025 The audit report provides an independent professional opinion on the fairness of the information presented by the financial statements. When no audit has been performed, the financial statements would be identified as unaudited.
- .026 ♦ *Financial statements should present the substance of transactions and events.* [APRIL 2005]
- .027 Financial statement information is reliable to the extent that users can depend on it to account for and fairly present the substance of transactions and events in accordance with their financial reality.
- .028 Governments endeavour to account for the substance of transactions and events. Legislation sometimes requires, however, that certain transactions or balances be accounted for or reported in a manner that does not reflect their substance. Compliance with such legislative reporting requirements would be met by preparing special purpose financial statements or reports.

STANDARDS OF PRESENTATION AND DISCLOSURE

- .029 The following standards and guidance describe financial statement information required in the presentation of a government's financial position, results of operations, change in net debt, and cash flow for the accounting period, as well as for reporting on legislative authorities and the government's accountability for the financial results of its management of its resources, obligations and financial affairs.
- .030 The content of financial statements is usually limited to financial information about transactions and events. Financial statements are based on representations of past, rather than future, transactions and events although they often require estimates to be made in anticipation of future transactions and events and include measurements that may, by their nature, be approximations.
- .031 ♦ *Financial statements should include a statement of financial position, a statement of operations, a statement of change in net debt, and a statement of cash flow.* [APRIL 2005]
- .032 The **statement of financial position** highlights four key figures that describe the financial position of the government at the financial statement date.
- (a) The cash resources of the government are its cash and cash equivalents.
 - (b) The net debt position of the government is calculated as the difference between its liabilities and financial assets.
 - (c) The non-financial assets of the government are assets that are, by nature, normally for use in service provision and include purchased, constructed, contributed, developed or leased tangible capital assets, inventories of supplies, and prepaid expenses.
 - (d) The accumulated surplus or deficit of the government is calculated as the sum of the net debt of the government and its non-financial assets. This indicator represents the net assets of the government.
- .033 Each of the three remaining government financial statements illustrates the change in one of these aspects of the government's financial position.
- (a) The **statement of operations** reports the surplus or deficit from operations in the accounting period. The statement displays the cost of government services provided in the period, the revenues recognized in the period and the difference between them. It measures, in monetary terms, the extent to which a government has maintained its net assets in the period.
 - (b) The **statement of change in net debt** reports the extent to which the expenditures of the accounting period are offset by the revenues recognized in the period. This measure is displayed by reporting the items that explain the difference between the surplus or deficit from operations and the change in net debt for the period.
 - (c) The **statement of cash flow** reports the change in cash and cash equivalents in the accounting period, and how a government financed its activities in the period and met its cash requirements.

Reporting financial position

- .034 Financial statements need to provide information to describe a government's financial position in terms of its assets and liabilities at the end of the accounting period. They must report the government's net debt and its accumulated surplus or deficit because these figures are indicators that can be used to determine whether a government's financial position has improved or deteriorated.
- .035 One important indicator of a government's financial position is its net debt, calculated as the difference between its liabilities and financial assets. The statement of financial position must account for and clearly present that difference because it bears directly on future revenue requirements and on a government's ability to finance its activities and meet its liabilities and commitments. Net debt provides a measure of the future revenues required to pay for past transactions and events. If the government's financial assets exceed its liabilities, then the indicator is a net financial asset position, indicating that there are net financial assets on hand, which can provide financial resources to finance future operations.
- .036 Reporting on a government's liabilities and financial assets alone is not sufficient to provide an adequate description of a government's financial position. Financial statements also need to report information about a government's tangible capital assets and other non-financial assets because such information is necessary for a more complete understanding of a government's debt position, financial position and future operating requirements.
- .037 The statement of financial position must also account for the government's accumulated surplus or deficit. The accumulated surplus or deficit of a government, or its net assets, is the residual interest in its assets after deducting its liabilities. In government financial statements, that residual interest is accounted for by:
- (a) reporting as a subtotal the difference between liabilities and financial assets; and then
 - (b) reporting non-financial assets to calculate and report the government's accumulated surplus or deficit.
- Both the net debt and accumulated surplus / deficit indicators reveal important information about the government's financial position.
- .038 ♦ *The statement of financial position should report net debt and the accumulated surplus / deficit as the two indicators that together explain the financial position at the end of the accounting period.*
- (a) *The statement of financial position should report liabilities and financial assets and report the difference between them as the measure of the government's net debt.*
 - (b) *Below the net debt indicator, the statement of financial position should report non-financial assets and account for and report the sum of the government's net debt and its non-financial assets as the accumulated surplus / deficit of the government at the end of the accounting period. [APRIL 2005]*
- .039 In addition, information on a government's potential assets and liabilities represented by contractual obligations and contingencies must also be provided. Such information is useful for assessing revenues that may be required in the future.

Liabilities

- .040 Reporting on a government's total liabilities at the financial statement date is necessary to ensure a complete reporting of transactions and events, and to understand and assess demands on resources. When used with other available financial data, adequate information about the nature and terms of liabilities facilitates assessments of such matters as debt management and exposure to foreign exchange fluctuations.
- .041 ♦ *The statement of financial position should report liabilities segregated by main classifications, such as:*
- (a) *accounts payable and accrued liabilities;*
 - (b) *liabilities for employee future benefits;*
 - (c) *deferred revenue;*
 - (d) *borrowings; and*
 - (e) *loans from other governments. [APRIL 2005]*
- .042 ♦ *Financial statements should disclose adequate information about the nature and terms of a government's liabilities. [APRIL 2005]*
- .043 Information to describe the nature and terms of a government's employee future benefits is outlined in RETIREMENT BENEFITS, Section PS 3250, and POST-EMPLOYMENT BENEFITS, COMPENSATED ABSENCES AND TERMINATION BENEFITS, Section PS 3255. Information to describe a government's long-term debt is outlined in LONG-TERM DEBT, Section PS 3230.
- .044 Information to describe the nature and terms of a government's liabilities to other governments includes, at a minimum, the amounts outstanding, interest rates, the amounts payable on demand and within a year, appropriate description of amounts payable after one year and the existence of sinking fund or redemption provisions.

Assets

Financial assets

- .045 Information about the nature and terms of a government's financial assets and the method of valuation is necessary to understand and assess the financial resources available to discharge existing liabilities or finance future operations.
- .046 ♦ *The statement of financial position should report financial assets segregated by main classifications, such as:*
- (a) *cash and cash equivalents;*
 - (b) *temporary investments;*

- (c) *revenues receivable;*
 - (d) *inventories for resale and other assets held for sale that meet the requirements of paragraph PS 1200.051;*
 - (e) *loans to other governments;*
 - (f) *other loans;*
 - (g) *portfolio investments;*
 - (h) *investments in government business enterprises; and*
 - (i) *investments in government business partnerships.* [APRIL 2005]
- .047 ♦ *Financial statements should disclose adequate information about the nature and terms of a government's financial assets together with any valuation allowances.* [APRIL 2005]
- .048 Cash and cash equivalents are defined in paragraphs PS 1200.096-.097. Information to describe the nature and terms of a government's loans is outlined in LOANS RECEIVABLE, Section PS 3050. Information to describe a government's investments is outlined in TEMPORARY INVESTMENTS, Section PS 3030, PORTFOLIO INVESTMENTS, Section PS 3040, and INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, Section PS 3070. Investments in government business partnerships are dealt with in GOVERNMENT PARTNERSHIPS, Section PS 3060. Information to describe the nature and terms of a government's investments includes the carrying amounts and the method of valuation. Inventories for resale and other assets held for sale are items that are held for sale in the ordinary course of operations and, therefore, are expected to provide resources to discharge existing liabilities or finance future operations.
- .049 ♦ *Valuation allowances should be used to reflect financial assets at their net recoverable or other appropriate value.* [APRIL 2005]
- .050 Valuation allowances for financial assets include such items as allowances for doubtful revenue receivables, allowances for unrecoverable loans and accrued interest, allowances for amounts recoverable only through future appropriations and allowances for the valuation of investments.
- .051 ♦ *An asset held for sale should be recognized as a financial asset when all of the following criteria are met:*
- (a) *prior to the date of the financial statements, the government body, management board or an individual with the appropriate level of authority commits the government to selling the asset;*
 - (b) *the asset is in a condition to be sold;*
 - (c) *the asset is publicly seen to be for sale;*
 - (d) *there is an active market for the asset;*
 - (e) *there is a plan in place for selling the asset; and*
 - (f) *it is reasonably anticipated that the sale to a purchaser external to the government reporting entity will be completed within one year of the financial statement date.* [APRIL 2005]
- .052 The plan in place for selling the asset must identify all significant actions to be taken to sell the asset. Actions required by the plan will begin as soon as possible after the commitment to sell is made.
- Non-financial assets
- .053 ♦ *The statement of financial position should report non-financial assets segregated by main classifications, such as:*
- (a) *tangible capital assets;*
 - (b) *inventories held for consumption or use; and*
 - (c) *prepaid expenses.* [APRIL 2005]
- .054 In government financial statements, recognition and valuation of non-financial assets is largely based on their service potential. Readers of government financial statements need sufficient information to appreciate the nature of government non-financial assets, as distinct from similar assets held by a business, without reference to these standards, which prescribe and explain government financial statements.
- .055 ♦ *The financial statements should disclose the nature of government non-financial assets as assets that are normally employed to provide future services.* [APRIL 2005]
- .056 Governments acquire tangible capital assets that have economic lives extending beyond the accounting period. They are available for use, require operating and maintenance expenditures, and may need to be replaced in the future. They include assets on hand and available for use by government in the near future, such as equipment, and assets for use over a longer period, such as buildings and land. Governments also acquire and make available to the public tangible capital assets that are complex network systems, such as highways, bridges, waterways and railways.
- .057 Regardless of whether they contribute net cash inflows to the government, all tangible capital assets except those meeting the criteria to be reported as financial assets in accordance with paragraph PS 1200.051 are required to be reported as non-financial assets. This requirement is consistent with the objective of clearly distinguishing in government financial statements the primarily service nature of government non-financial assets. Generally, non-financial assets that are being developed for sale are no longer being employed to provide services. Such non-financial assets are under development and not yet in a condition to be sold and, therefore, cannot be reported as financial assets in accordance with paragraph PS 1200.051. They continue, however, to

meet the non-financial asset definition because it states only that non-financial assets are "normally" employed to provide services.

.058 ♦ *Any asset that:*

- (a) *is not held for sale as described in paragraph PS 1200.051; and*
- (b) *would otherwise meet the definition of a tangible capital asset except for its ability to contribute to the net cash inflows of the government;*

should be recognized as a non-financial asset. [APRIL 2005]

.059 Information about tangible capital assets is useful for understanding and assessing a government's accountability for and management of its tangible capital asset base and future expenditure requirements for maintenance and replacement. This information also helps users understand that net debt is represented in part by expenditures on tangible capital assets with future service potential. The tangible capital assets of a government form part of its financial position because they provide economic resources, normally in the form of unconsumed service potential, that the government can employ in the future to accomplish its objectives. Including tangible capital assets in the government's financial position provides a more complete picture of the economic resources available to and utilized by the government.

.060 The disclosure of information regarding tangible capital assets in government financial statements includes: the types of assets; the additions, disposals, consumption and valuation adjustments of tangible capital assets in the accounting period; and the net carrying amount of the assets.

.061 Standards for accounting for tangible capital assets are provided in TANGIBLE CAPITAL ASSETS, Section PS 3150.

.062 Inventories held for consumption or use are tangible non-financial assets that will be used or consumed by the government in the course of its operations. Because the purpose of a government's operations is to provide services, the future economic benefit to the government of inventories for consumption or use is embodied in their capacity to render service that will further the government's objectives. "Raw material" inventory that is intended for use in development or production of inventory or other assets for sale would also be recognized as a non-financial asset. Such materials would only be included in assets for sale when they have been converted into an asset or part of an asset that is in a condition to be sold according to the requirements of paragraph PS 1200.051.

.063 A prepaid expense is a cash disbursement or other transfer of economic resources, other than an outlay for inventory or capital property, before the criteria for expense recognition have been met, that is expected to yield economic benefits over one or more future periods. It is recorded as an asset at the time of incurrence and amortized to expenses over the periods expected to benefit from it. Prepaid expenses generally expire either through the passage of time, such as prepaid rent or insurance, or through use or consumption.

.064 *Financial statements should disclose that works of art and historical treasures, developed or inherited intangibles, and items inherited by right of the Crown, such as Crown lands and natural resources, are not recognized in government financial statements. [NOV 2020] [Former paragraph PS 1200.064, amended by changes to FINANCIAL STATEMENT CONCEPTS, Section PS 1000, retained in Archived Pronouncements in a separate Supplement.]*

.065 FINANCIAL STATEMENT CONCEPTS, paragraph PS 1000.57, specifies that works of art and historical treasures, developed or inherited intangibles, and items inherited by right of the Crown are not recognized as assets in government financial statements. [Former paragraph PS 1200.065, amended by changes to FINANCIAL STATEMENT CONCEPTS, Section PS 1000, retained in Archived Pronouncements in a separate Supplement.]

Contractual obligations

.066 Contractual obligations are obligations of a government to others that will become liabilities when the terms of those contracts or agreements are met (see CONTRACTUAL OBLIGATIONS, Section PS 3390).

Contingencies

.067 Contingencies are the result of existing conditions or situations involving uncertainty that will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm the acquisition of an asset, the reduction of a liability, the loss or impairment of an asset, or the incurrence of a liability. Contingencies result from such matters as pending or threatened litigation, guarantees of the indebtedness of others, indemnities, and provisions related to insurance programs. They also include grants or contributions that are recoverable if certain future events occur or fail to occur. (See CONTINGENT LIABILITIES, Section PS 3300, for standards on accounting for and disclosing contingent liabilities.)

.068 ♦ *Financial statements should disclose information to describe a government's material contingent assets at the end of the accounting period. [APRIL 2005]*

.069 Financial statements must provide information in notes or schedules to describe a government's material contingent assets. Such information helps users assess the economic resources that may be required or available.

.070 In the preparation of financial statements, estimates are required for many ongoing and recurring activities. The mere fact that an estimate is involved, however, does not of itself constitute the type of uncertainty that characterizes a contingent asset.

Reporting changes in financial position

.071 Financial statements provide a meaningful summary of the sources, allocation and consumption of the government's economic resources in the accounting period, how the activities of the period have affected the net debt of the government, how the government financed its activities in the period and how it met its cash requirements. The statement of operations, the statement

of change in net debt and the statement of cash flow described in paragraph PS 1200.033 together explain the change in a government's liabilities and assets in the accounting period.

Reporting operations

- .072 The statement of operations provides important information about a government's accountability for its operations and the related achievement of its objectives. Financial statements are not intended, however, to provide all of the information needed to assess the efficiency and effectiveness of government operations. Such assessments require performance information additional to that provided in the financial statements. Nevertheless, the statement of operations summarizes cost-of-service information at a functional level. The more detailed service costs that underlie this summary provide the government with management information necessary to meet objectives such as cost control, cost recovery, alternative service delivery, results-based management, and other performance measurement needs. The actual-to-budget comparison to be provided on the statement of operations in accordance with paragraph PS 1200.122 also provides information important for assessing whether a government has achieved its operating objectives.
- .073 A government's statement of operations reports the surplus or deficit from a government's operations in the accounting period. It measures, in monetary terms, the extent to which a government has maintained its net assets in the period. Maintaining a government's net assets includes raising revenues sufficient to meet the cost of consuming non-financial assets in the period. Such consumption costs include the amortization of capital assets, and the periodic consumption or allocation of other non-financial assets, including prepayments. The statement displays the cost of government services provided in the accounting period, the revenues recognized in the accounting period and the difference between them.
- .074 ♦ *The statement of operations should:*
- (a) *report the revenues of the accounting period segregated by significant types of revenues from taxes, non-tax sources and transfers from other governments;*
 - (b) *report the expenses of the period by function or major program;*
 - (c) *account for the difference between the revenues and expenses in the period, as the measure of the surplus or deficit for the period; and*
 - (d) *report the accumulated surplus / deficit at the beginning and end of the period, 1 unless these figures are reconciled with the surplus / deficit for the period on a separate statement. [APRIL 2005]*
- .075 Information showing the sources and types of a government's revenues is useful for understanding and assessing the impact of revenue raising on the economy, the relative contributions of revenue sources and the revenue-producing capacity of investments. Significant revenue types include corporate and personal income taxes, other tax revenues, user fees, investment and natural resource revenues, and transfers from other governments.
- .076 Information showing the nature and purpose of expenses is useful for understanding the cost of the government's economic resources consumed in delivering government programs in the accounting period. A functional display provides such information. Major government functions or programs could include health, education, social services, transportation, natural resource development, public protection, communications and general government.
- Revenues
- .077 ♦ *Revenues, including gains, should be recognized in the period in which the transactions or events occurred that gave rise to the revenues. Gains are generally recognized when realized. Items not practicably measurable until cash is received would be accounted for at that time. [APRIL 2005]*
- .078 Revenues are accounted for in the period the transactions or events giving rise to the revenues occurred (for example, user fees in the period the goods or services are provided). GOVERNMENT TRANSFERS, Section PS 3410, sets out the recognition criteria for revenue arising from government transfers. TAX REVENUE, Section PS 3510, sets out the recognition criteria for revenue arising from tax transactions. Accounting for all of a government's revenues ensures that related assets are accounted for in the period they are created.
- [paragraph PS 1200.079 deleted]
- .080 ♦ *Financial statements should disclose the gross amounts of revenues. [APRIL 2005]*
- .081 Gross revenues are disclosed to ensure that the total magnitude of a government's revenue raising is reflected in the financial statements. Such information is necessary for understanding and assessing the financial impact of a government's revenue raising and for enhancing legislative control. TAX REVENUE, Section PS 3510, identifies tax concessions as an exception to this requirement for gross reporting.
- Expenses
- .082 ♦ *Financial statements should disclose the gross amounts of expenses. [APRIL 2005]*
- .083 ♦ *Financial statements should disclose the expenses of the accounting period by object. [APRIL 2005]*
- .084 Gross expenses are disclosed to ensure that the total magnitude of a government's consumption of, or reduction in, economic resources in the period is reflected in the financial statements. Such information is helpful in understanding and assessing the cost of government services.
- .085 Expenses are reported by function or major program and in total on the statement of operations in accordance with paragraph PS 1200.074, and are disclosed by object and in total in the note or schedule that provides the detail of expenses by object. Disclosure in the notes or schedules of expenses by object provides information that is useful in evaluating the major types of

expenses incurred by a government in the period. This disclosure supports the functional display of expenses provided in the statement of operations by offering a different perspective of the expenses of the period. A display by object outlines the major types of expenses incurred, such as the cost of salaries and benefits, debt servicing costs, the cost of transfer payments to other governments and to the public, as well as the amortization of the cost of tangible capital assets.

Changes in valuation allowances

- .086 Changes in valuation allowances reflect changes in the reported value of financial assets during the accounting period and are accounted for to ensure the impact those changes have on a government's net assets is recognized in the statement of operations.
- .087 ♦ *Changes in valuation allowances should be recognized as expenses in the accounting period.* [APRIL 2005]
- .088 Changes in valuation allowances are allocated by function on the statement of operations when practicable because information showing the nature and purpose of expenses is useful for understanding the cost of assets consumed in delivering government programs in the accounting period. When allocation by function is not possible, however, changes in valuation allowances are reported on the statement of operations as a specific item with the main types of provisions disclosed. The provisions relate to the main classification of financial assets, such as revenues receivable, loans, and investments.

Reporting the change in net debt

- .089 Unlike expenses, which are the cost of goods and services consumed in the accounting period, expenditures are the cost of goods and services acquired by the government in the period. Expenditures and expenses both include transfer payments due where no value is received directly in return.
- .090 In any given period, a government finances its expenditures by raising revenues, applying existing financial resources, or incurring liabilities. The statement of change in net debt provides important accountability information regarding the extent to which the expenditures of the accounting period are met by the revenues recognized in the period. This statement reports the extent of the change in the government's net debt resulting from activities in the accounting period and the opening and closing balances of net debt. The actual-to-budget comparison to be provided on the statement of change in net debt in accordance with paragraph PS 1200.123 provides information about whether a government has achieved its spending plans. Important uses of the information provided by the change in net debt statement include evaluating a government's performance in the management of the financial affairs and financial resources entrusted to it and assessing future revenue requirements.
- .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.* [APRIL 2005]
- .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.* [APRIL 2005]
- .093 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 may include:
 - (a) the amortization of tangible capital assets;
 - (b) the net carrying amount of any tangible capital assets disposed of;
 - (c) any adjustments relating to write-downs of tangible capital assets;
 - (d) any interest capitalized in the period as a function of constructing or developing tangible capital assets;
 - (e) any other expenditures, such as those for salaries and benefits of employees, capitalized in the period as a function of constructing or developing tangible capital assets;
 - (f) the consumption of other non-financial assets;
 - (g) expenditures to acquire other non-financial assets, such as prepaid expenses; and
 - (h) other comprehensive income arising in applying the modified equity method when reporting on the results of government business enterprises and government business partnerships.
- .094 ♦ *The statement of change in net debt should report net debt at both the beginning and end of the accounting period.* [APRIL 2005]
- .095 The statement of change in net debt explains the difference between the government's surplus or deficit for the accounting period and its change in net debt in the period. Expenditures to acquire tangible capital assets in the accounting period as well as other significant items that explain the nature of the difference in the two measures would be reported as explanatory items. A desirable presentation for the explanatory items would be to categorize them, as a minimum, into items that relate to tangible capital assets and those that relate to other non-financial assets. Regardless of the presentation chosen, one item that must be clearly identified in the statement is the amount of capital expenditures incurred in the accounting period.

Reporting cash flow

- .096 **Cash** comprises cash on hand and demand deposits.
- .097 **Cash equivalents** are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. An investment would normally qualify as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents. When bank overdrafts, which are repayable on demand, form an

integral part of a government's cash management, such that the government's bank balance often fluctuates from being positive to overdrawn, bank overdrafts are included as a component of cash and cash equivalents.

- .098 Information about the cash flows of a government enables users of its financial statements to assess the capacity of the government to generate cash and cash equivalents and the needs of the government for cash resources. Cash is generated by revenue raising, by the conversion of other financial assets into cash and cash equivalents, and by external borrowing. A statement of cash flow reports the effects of a government's activities on its cash resources by showing how a government financed its activities in the accounting period and met its cash requirements. Important uses of such information include evaluating a government's liquidity and accountability for the use of cash resources as well as assessing future cash requirements. Historical cash flow information may be useful as an indicator of the amount, the timing and the certainty of future cash flows.
- .099 ♦ *The statement of cash flow should report how a government generated and used cash and cash equivalents in the accounting period and the change in cash and cash equivalents in the period. The statement of cash flow should report the cash and cash equivalents at both the beginning and end of the accounting period. [APRIL 2005]*
- .100 ♦ *The statement of cash flow should report cash flows during the period classified by operating, capital, investing and financing activities. [APRIL 2005]*
- .101 The information provided in a statement of cash flow would focus on the effects of a government's activities on its cash resources. Cash and cash equivalents represent a pool of cash or ready sources of cash available to a government.
- .102 The change in a government's cash resources can be explained in the context of four major activities — operations, capital, investing and financing.
- .103 A government may report cash flows from operating activities using either the direct method or the indirect method. Governments are encouraged to report such cash flows using the direct method. The direct method provides information that may be useful in estimating future cash flows and that is not available under the indirect method.
- .104 Using the direct method, the major classes of gross cash receipts and gross cash payments related to operating activities are disclosed, such as:
- (a) cash receipts from taxation;
 - (b) cash receipts from user fees, licenses, permits, fines, penalties and other fees;
 - (c) cash receipts from the sale of goods and the rendering of services;
 - (d) cash receipts from enterprises;
 - (e) cash receipts from dividends;
 - (f) cash transfers to/from other governments;
 - (g) cash transfers to individuals;
 - (h) cash payments to suppliers;
 - (i) cash payments to and on behalf of employees; and
 - (j) cash receipts and payments of interest included in the determination of results for the accounting period.
- .105 Using the indirect method, cash used in or available from operations would be calculated by adjusting the surplus or deficit for the accounting period for the effects of non-cash items included in the surplus / deficit and for any accruals of past or future operating cash receipts or payments. Examples of non-cash items include:
- (a) amortization of tangible capital assets;
 - (b) draw-downs of prepayments;
 - (c) pension expenses not funded in the period;
 - (d) gains and losses on disposals of tangible capital assets; and
 - (e) the recognition of previously deferred revenue.
- .106 Cash flows relating to interest received and paid and included in the determination of the surplus or deficit for the accounting period would be classified as cash flows from operating activities. When a government uses the indirect method in calculating its cash flows from operating activities, cash flows relating to interest received or paid and included in the determination of the surplus or deficit for the accounting period would be disclosed separately and, when a material difference exists between such cash flows and the related amounts recognized in the statement of operations, the amount of the difference and the reasons for it would be disclosed. For example, there may be financing situations where there are significant differences between interest paid and interest expense for the period because a government has prepaid interest or is permitted to defer the payment of interest.
- .107 ♦ *When a government is employing the indirect method and there is a significant difference between the interest revenue or expense recognized in the statement of operations and the interest receipt or payment recognized in the cash flow statement, the financial statements should disclose the amount of the difference and the reason(s) for it. [APRIL 2005]*
- .108 Cash receipts and outflows relating to tangible capital assets are included in capital activities for a government, in contrast with a business, which shows such cash flows as investing activities. This additional category for a government reflects the fact that cash flows from investing activities are supposed to represent expenditures made to acquire assets that will generate future income and cash inflows. Most government tangible capital assets have future service potential, rather than future cash inflows associated with them. Examples include:

- (a) cash paid on acquisition of tangible capital assets; and
- (b) cash received on disposal of tangible capital assets.

Under the indirect method, adjustments for gains and losses arising on the sale of tangible capital assets would be adjusted for in the calculation of cash flows from operating activities.

- .109 Cash flow information related to investing would include investments made and realized during the period.
- .110 Cash flow information related to financing would include both domestic and foreign debt issued and repaid during the period.
- .111 ♦ *The statement of cash flow should report separately major classes of gross cash receipts and gross cash payments arising from capital, investing and financing activities, except to the extent that cash flows described in paragraphs PS 1200.112-.113 are presented on a net basis. [APRIL 2005]*
- .112 ♦ *Cash flows arising from each of the following operating, capital, investing or financing activities may be presented on a net basis:*
 - (a) *cash receipts collected and payments made on behalf of entities external to the government reporting entity, including taxpayers and beneficiaries, when the cash flows reflect the activities of the external party rather than those of the government; and*
 - (b) *cash receipts and payments for items for which the turnover is rapid, the amounts are large and the maturities are short. [APRIL 2005]*
- .113 ♦ *Cash flows arising from interest paid on debt issued on behalf of government business enterprises and interest received from those government business enterprises should be presented on a net basis when the debt meets the criteria in LONG-TERM DEBT, paragraph PS 3230.12. [APRIL 2005]*
- .114 Examples of the exclusion in paragraph PS 1200.112(a) include:
 - (a) taxes collected by a government on behalf of another level of government (see TAX REVENUE, Section PS 3510), not including taxes collected by a government for its own use as part of a tax-sharing arrangement;
 - (b) funds held for parties external to the government reporting entity by a government organization that is an investment or trust entity; and
 - (c) rents collected by a government organization on behalf of, and paid over to, owners of property that are external to the government reporting entity.
- .115 Examples of the exclusion in paragraph PS 1200.112(b) include cash advances and repayments related to:
 - (a) the purchase and sale of investments; and
 - (b) other short-term borrowings (for example, those that have a maturity period of three months or less).
- .116 ♦ *Capital, investing and financing transactions that do not require the use of cash or cash equivalents should be excluded from the statement of cash flow. Such transactions should be disclosed in the financial statements in a way that provides all the relevant information about these capital, investing and financing activities. [APRIL 2005]*
- .117 Many capital, investing and financing activities do not have a direct impact on current cash flows, although they do affect the assets and obligations of a government. For example, acquisitions of assets by assuming directly related liabilities affect the assets and liabilities of a government, but may have no cash flow impact in the current period. The exclusion of non-cash transactions from the statement of cash flow is consistent with the objective of a cash flow statement, as these items do not involve sources or uses of cash in the current period.
- .118 ♦ *The financial statements should disclose the components of cash and cash equivalents and should present a reconciliation of the amounts in the statement of cash flow with the equivalent items presented in the statement of financial position. A government should disclose the policy it adopts in determining the composition of cash and cash equivalents. [APRIL 2005]*

Reporting legislative control and financial accountability

Comparison of actual and budgeted results

- .119 Financial statements need to provide a comparison of the actual and budgeted financial results of the government's management of its economic resources, obligations and financial affairs. In addition, a more focused comparison of the government's actual and budgeted financial results in its management of its financial resources, obligations and financial affairs alone needs to be provided. Such comparisons serve as a starting point for understanding and assessing trends in government operations and future revenue requirements as well as for identifying variances that need to be explained.
- .120 A comparison of actual and budgeted amounts is reported on the statement of operations, which has an economic resources (expense-based) focus, and on the statement of change in net debt, which has a financial resources (expenditure-based) focus.
- .121 The comparisons of actual and budgeted financial results of the government's management of both its economic and financial resources provide key accountability information about the government's performance in achieving its operational and spending plans.
- .122 ♦ *The statement of operations should present a comparison of the results for the accounting period with those originally planned. Planned results should be presented for the same scope of activities and on a basis consistent with that used for actual results. [APRIL 2005]*

- .123 ♦ *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.* [APRIL 2005]
- .124 On the statement of operations or the statement of change in net debt, when the scope of financial activity reported in the fiscal plan is not the same as that reported in the financial statements, it may be necessary to restrict the comparison of actual and budgeted results to the scope of financial activity reported in the budget or main estimates of expenditures. This comparison would be presented in a note or supporting schedule. To ensure that this disclosure is reconcilable to the information reported in the financial statements, a government would highlight the differences between the reporting entity used for the financial statements and that used for the fiscal plan.
- .125 On the statement of operations or the statement of change in net debt, when a government's fiscal plan is not prepared on a basis consistent with that used to report the actual results, planned results should be reported on the same basis as that used to report the results of the current period. In those circumstances, it would be necessary to provide a reconciliation of the restated information with that originally presented in the fiscal plan.
- Reporting on legislative authority**
- .126 Users look to financial statements to determine whether the economic resources entrusted to the government were administered in accordance with legislative authorities.
- .127 ♦ *Financial statements should disclose information to show where a government has exceeded its revenue, borrowing, investing, expense or expenditure authority limits.* [APRIL 2005]
- .128 Financial statements need to provide information that highlights when the revenue, expense, expenditure, investing and borrowing activities underlying the financial statements were not carried out within the financial limits authorized by legislation.
- .129 This disclosure would be provided in schedules or notes to the financial statements.
- Reporting on funds and reserves**
- .130 Funds and reserves would be disclosed in accordance with FUNDS AND RESERVES, PSG-4.

TRANSITIONAL PROVISIONS

- .131 This Section applies to federal, provincial and territorial governments for fiscal years beginning on or after April 1, 2005.
- .132 This Section applies to local governments for fiscal years beginning on or after January 1, 2009. Earlier adoption is encouraged.

APPENDIX A

ILLUSTRATIVE FINANCIAL STATEMENTS — FEDERAL, PROVINCIAL AND TERRITORIAL GOVERNMENTS

The following examples have been prepared by CICA staff to illustrate how the standards in Section PS 1200 might be implemented.

The examples are illustrative only and matters of principle relating to particular situations should be decided in the context of the Section. They are not intended to indicate preferred formats nor to prescribe standardized note disclosure, as variations in format and wording will be necessary to meet the requirements of differing circumstances.

For ease of presentation, selections are made from accounting alternatives permitted by the Section.

Note: Government financial statements consolidate the financial statements of organizations comprising the government reporting entity, except for government business enterprises, which are included in the financial statements on a modified equity basis.

Consolidated Statement of Financial Position

As at March 31 (\$ millions)	20X2	20X1
Financial assets		
Cash and cash equivalents	1,577	1,366
Accounts receivable	1,864	1,708
Portfolio investments	2,122	1,273
Commercial enterprises equity	331	207
Loans	4,909	5,659
Inventories for resale	109	135
	10,912	10,348
Liabilities		
Accounts payable and accrued liabilities	2,383	2,644
Debt	5,575	5,768

Debt of municipal financing corporation		3,788	4,028
Pension obligations		4,813	4,890
Other accrued liabilities		1,395	1,510
Deferred revenue	308	331	
	18,262	19,171	
Net debt	(7,350)	(8,823)	
Non-financial assets (see Note X)			
Tangible capital assets		7,218	7,215
Inventories of supplies		112	222
Prepaid expenses	30	20	
	7,360	7,457	
Accumulated surplus / (deficit)		10	(1,366)
		=====	=====

See accompanying notes to the consolidated financial statements

Consolidated Statement of Operations

For the year ended March 31 (\$ millions)		20X2	20X2	20X1
Revenues	Budget	Actual	Actual	
Personal income tax	5,392	5,969	5,655	
Corporate taxes	2,642	2,659	3,848	
Sales tax	1,265	1,408	1,543	
Fuel tax	470	547	558	
Tobacco tax	345	341	330	
Lottery revenues	660	770	705	
Health insurance premiums	641	680	652	
Fees, permits, licenses and fines	581	651	669	
Liquor commission	427	485	465	
Income from enterprises	50	525	97	
Miscellaneous revenues	100	342	402	
Investment income	409	610	747	
Canada Health and Social Transfer	940	970	903	
Other transfers	355	365	280	
	14,277	16,322	16,854	
Expenses				
Education	4,329	4,287	4,168	
Health	4,541	4,626	4,457	
Agriculture, environment, development	1,706	1,856	1,740	
Social services	1,654	1,701	1,709	
Transportation and utilities	626	823	807	
Recreation and culture	281	272	217	
General government	551	627	560	

Justice		468	487	462
Interest expense	93	267	183	
	14,249	14,946	14,303	
Annual surplus		28	1,376	2,551
Accumulated deficit at beginning of year (a)	(1,366)	(1,366)	(3,917)	
Accumulated surplus / (deficit) at end of year		(1,338)	10	(1,366)
		=====	=====	=====

(a) The reconciliation to the closing accumulated surplus / (deficit) may be done on a separate statement.

Consolidated Statement of Change in Net Debt

For the year ended March 31 (\$ millions)	20X2	20X2	20X1
	Budget	Actual	Actual
Annual surplus	28	1,376	2,551
Acquisition of tangible capital assets	(294)	(294)	(250)
Amortization of tangible capital assets	226	226	230
(Gain) / loss on sale of tangible capital assets	0	(5)	(19)
Proceeds on sale of tangible capital assets	0	46	72
Write-downs of tangible capital assets	0	24	44
	(68)	(3)	77
Acquisition of supplies inventories	0	0	(324)
Acquisition of prepaid expense	0	(30)	(20)
Consumption of supplies inventories	0	110	102
Use of prepaid expense	0	20	0
	0	100	(242)
(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	(8,863)	(7,350)	(8,823)
	=====	=====	=====

Direct method

Consolidated Statement of Cash Flow

For the year ended March 31 (\$ millions)	20X2	20X1
Operating transactions		
Cash received from:		
Taxes	8,239	7,267
Transfers	1,541	1,943
Non-renewable resources	2,118	3,808
Fees, permits, licenses and fines	1,581	1,291
Enterprises	1,401	983
Investments	1,564	1,675
Other	1,676	1,516
	18,120	18,483

Cash paid for:		
Salaries, wages, employment contracts and benefits	1,345	1,276
Material and supplies	3,192	2,936
Grants and other transfers	12,074	10,290
Financing charges	282	733
Travel and communication	108	102
	17,001	15,337
Cash provided by operating transactions	1,119	3,146
Capital transactions		
Proceeds on sale of tangible capital assets	46	72
Cash used to acquire tangible capital assets	(294)	(250)
Cash applied to capital transactions	(248)	(178)
Investing transactions		
Proceeds from disposals and redemptions of portfolio investments	262	2,997
Repayment of loans and advances	768	1,129
Portfolio investments	(594)	(4,089)
Loans and advances	(290)	(280)
Other	(17)	(15)
Cash provided by (applied to) investing transactions	129	(258)
Financing transactions		
Public debt issues	13,970	3,694
Public debt retirement	(14,759)	(6,175)
Cash applied to financing transactions	(789)	(2,481)
Increase in cash and cash equivalents	211	229
Cash and cash equivalents at beginning of year	1,366	1,137
Cash and cash equivalents at end of year	1,577	1,366
	=====	=====

Indirect method

Consolidated Statement of Cash Flow

For the year ended March 31 (\$ millions)	20X2	20X1
Operating transactions		-
Annual surplus	1,376	2,551
Non-cash items including amortization	504	522
Prepaid expenses	(30)	(20)
Change in deferred revenue	(23)	16
Other	(708)	77
Cash provided by operating transactions	1,119	3,146
Capital transactions		
Proceeds on sale of tangible capital assets	46	72
Cash used to acquire tangible capital assets	(294)	(250)

Cash applied to capital transactions	(248)	(178)
Investing transactions		
Proceeds from disposals and redemptions of portfolio investments	262	2,997
Repayment of loans and advances	768	1,129
Portfolio investments	(594)	(4,089)
Loans and advances	(290)	(280)
Other	(17)	(15)
Cash provided by (applied to) investing transactions	129	(258)
Financing transactions		
Public debt issues	13,970	3,694
Public debt retirement	(14,759)	(6,175)
Cash applied to financing transactions	(789)	(2,481)
Increase in cash and cash equivalents	211	229
Cash and cash equivalents at beginning of year	1,366	1,137
Cash and cash equivalents at end of year	1,577	1,366
	=====	=====

Notes to the Consolidated Financial Statements (excerpts)

Note X: Non-financial assets

Tangible capital and other non-financial assets are accounted for as assets by the government because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the government unless they are sold.

APPENDIX B

ILLUSTRATIVE FINANCIAL STATEMENTS — LOCAL GOVERNMENTS

The following examples have been prepared by CICA staff to illustrate how the standards in Section PS 1200 might be implemented.

The examples are illustrative only and matters of principle relating to particular situations should be decided in the context of the Section. They are not intended to indicate preferred formats nor to prescribe standardized note disclosure, as variations in format and wording will be necessary to meet the requirements of differing circumstances.

For ease of presentation, selections are made from accounting alternatives permitted by the Section.

Note: Government financial statements consolidate the financial statements of organizations comprising the government reporting entity, except for government business enterprises, which are included in the financial statements on a modified equity basis.

Consolidated Statement of Financial Position

As at December 31 (\$ thousands)	20X9	20X8
Financial assets		
Cash and cash equivalents	1,577	1,366
Accounts receivable	1,864	1,708
Portfolio investments	7,031	6,932
Business enterprise equity	331	207
Inventories for resale	109	135
	10,912	10,348
Liabilities		
Accounts payable and accrued liabilities	2,383	2,644
Debt	9,363	9,796

Pensions and other employee benefits		4,813	4,890
Other accrued liabilities	1,703	1,841	
	18,262	19,171	
Net debt	(7,350)	(8,823)	
Non-financial assets (see Note X)			
Tangible capital assets		87,218	97,215
Inventories of supplies		112	222
Prepaid expenses	30	20	
	87,360	97,457	
Accumulated surplus		80,010	88,634
		=====	=====

See accompanying notes to the consolidated financial statements

Consolidated Statement of Operations

For the year ended December 31 (\$ thousands)		20X9	20X9	20X8
Revenues	Budget	Actual	Actual	
Property taxes		8,034	8,628	9,503
User fees		3,381	3,746	3,788
Government transfers		1,722	1,820	1,648
Fees, permits, licenses and fines		581	651	669
Investment income		409	610	747
Income from enterprises		50	525	97
Miscellaneous revenues	100	342	402	
Total revenue	14,277	16,322	16,854	
Expenses				
Protection to persons and property		4,329	4,061	3,938
Water and sewage		8,541	8,626	8,457
Roadways and transportation		7,360	7,557	7,449
Recreation and culture		3,094	3,310	3,269
General government		832	899	777
Other	93	493	413	
Total expenses	24,249	24,946	24,303	
Annual deficit		(10,028)	(8,624)	(7,449)
Accumulated surplus at beginning of year (a)	88,634	88,634	96,083	
Accumulated surplus at end of year		78,662	80,010	88,634
		=====	=====	=====

(a) The reconciliation to the closing accumulated surplus / (deficit) may be done on a separate statement.

Consolidated Statement of Change in Net Debt

For the year ended December 31 (\$ thousands)		20X9	20X9	20X8
	Budget	Actual	Actual	

Annual deficit	(10,028)	(8,624)	(7,449)
Acquisition of tangible capital assets	(294)	(294)	(250)
Amortization of tangible capital assets	10,000	10,226	10,230
(Gain) / loss on sale of tangible capital assets	0	(5)	(19)
Proceeds on sale of tangible capital assets	0	46	72
Write-downs of tangible capital assets	0	24	44
	(322)	9,997	10,077
Acquisition of supplies inventories	0	0	(324)
Acquisition of prepaid expense	0	(30)	(20)
Consumption of supplies inventories	0	110	102
Use of prepaid expense	0	20	0
	0	100	(242)
Change in net financial assets / net debt	(322)	1,473	2,386
Net financial assets / net debt at beginning of year	(8,823)	(8,823)	(11,209)
Net financial assets / net debt at end of year	(9,145)	(7,350)	(8,823)
	=====	=====	=====

Direct method

Consolidated Statement Of Cash Flow

For the year ended December 31 (\$ thousands)	20X9	20X8
Operating transactions		
Cash received from:		
Taxes		9,239
Transfers		1,541
User fees		3,618
Fees, permits, licenses and fines		581
Enterprises		1,401
Investments		564
Other	1,176	1,016
	18,120	18,483
Cash paid for:		
Salaries, wages, employment contracts and benefits		7,345
Material and supplies		7,192
Contracted services		2,074
Financing charges	501	835
	17,112	15,337
Cash provided by operating transactions	1,008	3,146
Capital transactions		
Proceeds on sale of tangible capital assets		46
Cash used to acquire tangible capital assets	(294)	(250)
Cash applied to capital transactions	(248)	(178)

Investing transactions

Proceeds from portfolio investments	1,030	4,126
Portfolio investments	(1,129)	(4,369)
Other	(17)	(15)
Cash provided by (applied to) investing transactions	(116)	(258)

Financing transactions

Proceeds from debt issues	13,970	3,694
Debt repayment	(14,403)	(6,175)
Cash applied to financing transactions	(433)	(2,481)

Increase in cash and cash equivalents

	211	229
Cash and cash equivalents at beginning of year	1,366	1,137
Cash and cash equivalents at end of year	1,577	1,366

Indirect method**Consolidated Statement of Cash Flow**

For the year ended December 31 (\$ thousands)

20X9 20X8

Operating transactions

Annual deficit	(8,624)	(7,449)
Non-cash items including amortization	10,504	10,522
Prepaid expenses	(30)	(20)
Change in deferred revenue	(23)	16
Other	(819)	77
Cash provided by operating transactions	1,008	3,146

Capital transactions

Proceeds on sale of tangible capital assets	46	72
Cash used to acquire tangible capital assets	(294)	(250)
Cash applied to capital transactions	(248)	(178)

Investing transactions

Proceeds from portfolio investments	1,030	4,126
Portfolio investments	(1,129)	(4,369)
Other	(17)	(15)
Cash provided by (applied to) investing transactions	(116)	(258)

Financing transactions

Proceeds from debt issues	13,970	3,694
Debt repayment	(14,403)	(6,175)
Cash applied to financing transactions	(433)	(2,481)

Increase in cash and cash equivalents

	211	229
Cash and cash equivalents at beginning of year	1,366	1,137
Cash and cash equivalents at end of year	1,577	1,366

Notes to the Consolidated Financial Statements (excerpts)

Note X: Non-financial assets

Tangible capital and other non-financial assets are accounted for as assets by the government because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the government unless they are sold.

Footnotes

1. Except for other comprehensive income that may arise in applying the modified equity method when reporting on the results of government business enterprises and government business partnerships (see INCLUDING RESULTS OF ORGANIZATIONS AND PARTNERSHIPS APPLYING FAIR VALUE MEASUREMENT, PSG-6).

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