

Regional District LGDE Help Manual

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Ministry of
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5(d) – Statement of Changes in Net Financial Assets / Net Debt (Schedule A5)

The purpose of this schedule is to provide the necessary adjustments to the Annual Surplus / (Deficit) (from the Statement of Operations) in order to reconcile the Annual Surplus / (Deficit) to the year-to-year change in Net Financial Assets / Debt in the Statement of Financial Position (Line r – Schedule A2) in accordance with PS 1200.074 (d).

Annual Surplus / (Deficit) (Line a)

This is a linked cell from Line w in Schedule A3. It is equal to the total annual revenues less the total annual expenses.

Acquisition of Tangible Capital Assets (Line b)

This line contains actual expenditures necessary to bring a tangible capital asset into working condition. PSAB section 3150.10 describes these costs.

These are expenditures associated with the acquisition, construction, and development of tangible capital assets in the Statement of Financial Position (Schedule A2 - Lines s to x). “Acquire” as defined under section 29 of the *Interpretation Act* includes: accept; receive; purchase; be vested with; lease; take possession, control or occupation of; and agree to do any of those things. For the purposes of reporting these expenditures, the term “lease” refers only to capital leases (**not** operating leases), where the local government is the lessee. For a description of the distinction between operating and capital leases please see the lease liability section of this Help Manual, entitled “Lease Liabilities (Line n)” in section 5(a)(ii) – Liabilities (Schedule A2).

Capital acquisition expenditures include costs associated with the acquisition of land and the acquisition and/or construction of buildings, engineering structures or equipment.

Acquisition of land includes, but is not limited to, the following:

- purchase price for the property
- costs associated with closing the sales transaction (land title fees, legal fees and recording fees)
- assumption of liens, mortgages or encumbrances
- site preparation costs (including grading, drainage, clearing and removal of old buildings)

Acquisition or construction of buildings, engineering structures and equipment includes, but is not limited to, the following:

- purchase price
- direct construction costs (material and labour)
- direct overhead
- professional fees (legal, engineering, architectural, design, surveying)
- planning costs
- freight and handling (including in-transit insurance and duties)
- installation
- trial (test) runs
- interest on interim financing (only when the government's policy is to capitalize interest costs)

If a tangible capital asset is donated, the fair value (the "cost" entered to the Statement of Financial Position) of that asset should be included in the Acquisition of Tangible Capital Assets on Line b.

If there is any revaluation of the tangible capital asset it should be done through Write Downs of Tangible Capital Assets (Line f – Schedule A5) if it is negative, or through Other Adjustments (Line k – Schedule A5) if it is positive.

Improvements to a tangible capital asset – An improvement to a tangible capital asset is recognized as an acquisition if it enhances the service potential of the asset (e.g. expanding capacity of roads, sewers, and water lines) or increases its useful life. If the expenditure only maintains the estimated useful life of the asset (or brings it up to normal operating efficiency) it should be treated as an operational expense (PS 3150.19).

Capital costs for multipurpose facilities - If the capital cost of a project is associated with multiple functions of the local government (e.g. a multipurpose municipal facility with a city hall, police station and recreation facility). The local government should use its best estimates to allocate the acquisition costs to the various functions and then allocating a similar proportion of subsequent amortization of the asset to the same functions.

Amortization of Tangible Capital Assets (Line c)

This is the sum of lines j3 through s3 on Schedule A3, Statement of Operations.

(Gain)/Loss on Sale of Tangible Capital Assets (Line d)

This is the gain or loss on the book value of a tangible capital asset at time of disposition. This is the negative opposite of the value entered to line g on Schedule A3 – Statement of Operations; unless the amount entered on Line g contained a write down; in which case that amount should be recorded on Line f of Schedule A5 and just the loss/gain on disposition portion of Schedule A3 line g should be entered here. If there were no proceeds on the disposition of a tangible capital asset the loss should be considered a write-down and be recorded on line f.

Proceeds on Sale of Tangible Capital Assets (Line e)

The amount received upon the sale of a tangible capital asset.

Write Downs of Tangible Capital Assets (Line f)

When a tangible capital asset no longer provides the local government with a good and/or service, or its value is less than the net book value, the cost of the asset should be written down to reflect the reduction in the asset's value. A write down should not be reversed. The write down is entered as a loss on Line g of Schedule A3 and is offset here in Line f by an equal, but positive, amount. If there were no proceeds on the disposition of a tangible capital asset the loss should be considered a write-down and be recorded on line f.

Acquisition of Supply Inventory (Line g)

This is the value of supply inventory acquired during the year.

Acquisition of Prepaid Expenses (Line h)

This is the value of prepaid expenses acquired during the year.

Consumption of Supply Inventory (Line i)

This is the value of supply inventory that was expensed during the year.

Consumption of Prepaid Expenses (Line j)

This is the value of prepaid expenses that were expensed during the year.

Caveat Sometimes only the net changes are available for Supply Inventory and/or Prepaid Expenses. If that is the case, enter the net amount into whichever Line makes the most sense: i.e. enter a net increase in Prepaid Expenses to Acquisition of Prepaid Expenses Line h.

Other Adjustments (Line k)

Any unusual items that don't fit in to previously listed lines can be entered here. Positive revaluations of tangible capital assets can be entered here.

Change in Net Financial Assets / (Net Debt) (Line l)

This line item represents the net change in the financial assets of the local government over the last accounting period. This is a formula cell and equals the sum of lines a through k (it automatically subtracts the values in Lines b, g and h).

Net Financial Assets / (Net Debt) at Beginning of Year (Line m)

This line item is the total value of the financial assets at the start of the accounting period.

Net Financial Assets / (Net Debt) at End of Year (Line n)

This line item represents the net financial assets at the start of the year (Line m) **plus** any change in net financial assets for the current reporting period (Line l).

The amount in this line item should reconcile with the net financial assets or debt in the Statement of Financial Position (Line r in Schedule A2).