

Appendix B

Understanding and Interpreting Financial Statements

The information contained in this appendix, provides tips on understanding and interpreting financial statements and is intended to help you become more knowledgeable about the financial affairs of your community. It will answer some of the questions most frequently asked about financial statements, describe what a standard set of financial statements looks like as generated from the accounting program software used by your community and detail an independent auditor's report.

Like all governments and businesses, your community must prepare annual financial statements and have them audited by an independent professional auditor. The auditing process ensures that standard methods are used in accounting for revenues, expenditures, assets and liabilities.

Like all governments, your community must make their financial information publicly available. This is part of a long history of government accountability. Further, as governments cannot meet all the needs of their residents with available funds, the open sharing and discussion of financial information is important in setting community priorities. Community residents have a responsibility to inform themselves and support constructive discussions about the use of available funds. Part of this involves reading and understanding financial statements.

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Introduction

Financial statements are the key to understanding the financial position of your community. They help you determine where your community money comes from, how it was spent and if funds are available to support your annual community management plan (CMP).

The objective of financial statements is to communicate information to users. They provide information about the allocation and use of funds, the source and type of revenues and to what extent revenues were sufficient to meet expenditures. They also provide a snapshot of how much money was spent and for what purposes, and how cash needs were met. Financial statements assist communities and governments in decision making.

Your community's financial information is recorded on a regular basis using a computer based accounting program which is capable of providing reports on the community's financial position at any point in time. Typically, financial statements are produced monthly for review by decision makers. Financial statements are prepared using the accrual basis of accounting. This is the most commonly used accounting method which reports income when earned and expenses when incurred.

Financial statements provide important information to a variety of stakeholders: community residents, community council and government. It is important for stakeholders to have adequate financial information on which to form opinions and base decisions. To be of value, the financial information must accurately represent the financial position of the community at any point in time.

To meet the needs of the different stakeholders, community financial statements are prepared in accordance with a standard set of rules recommended by the Chartered Professional Accountants (CPA) Canada. These rules are known as Generally Accepted Accounting Principles or GAAP.

In addition, governments, including communities, must comply with the recommendations of the Public Sector Accounting Board (PSAB) of CPA Canada, which details specific accounting policies and disclosure requirements for government entities. The PSAB reporting model provides a more comprehensive set of financial statements that places equal emphasis between annual surplus/deficit and the overall financial health of the community.

PSAB financial statements are reported on a consolidated basis (include all organizations controlled by the community) and prepared on a full accrual basis. Under accrual basis, communities recognize revenue as earned, even if the cash has not been received, and expenses are reported even if the invoice has not yet been paid. As well, the initial cost of an asset is not expensed in the year that it is acquired, but rather a fraction of the cost, called amortization, is recorded as an expense each year the asset is expected to be in service. Unincorporated communities are not required to record amortization related to tangible capital assets (TCAs). Accrual based reporting also includes as an expenditure, any expense in future liabilities such as post-employment benefit expenses and landfill closure costs.

Frequently Asked Questions

1. Who uses community financial statements and why?

Who?	Why?
Community Residents	<ul style="list-style-type: none">- helps to understand what financial resources are available to the community, how they have been used and assists in planning for the future- helps to assess the leadership and management of the council
Community Council	<ul style="list-style-type: none">- summarizes and verifies important information for planning the community's financial affairs and supports good decision making- provides information validated by a professional and independent auditor- fosters financial transparency and fiscal accountability, which means that community council can be held responsible for their actions- measures and evaluates financial performance to guard against any potential misappropriation
Government	<ul style="list-style-type: none">- provides information on the community's financial position and its management, which is needed to assess possible impacts on funded services- provides information on whether funds were used in accordance with the funding requirements

2. When must our community audited financial statements be completed?

Your community's fiscal year is from April 1 of one calendar year to March 31 of the next. This is the same 12-month reporting period used by the Manitoba government. Community audits must be completed according to an annual audit contract and submitted to the department no later than August 31. Due to the PSAB requirements, the community financial statements need to be consolidated by the auditor and reason the format of the audited financial statements are different from the financial statements council reviews throughout the year.

3. How do I know if the audited financial statements accurately reflect the financial position of our community?

The audit opinion, which is near the front of the audited financial statements, advises readers whether the statements provide an accurate financial picture.

Community councils are responsible to have their administrative staff prepare interim or monthly financial statements and annual year-end financial statements. Communities must hire an independent and professional auditor to review the financial systems and records. To

be qualified, an auditor must have completed special training and be a member in good standing of a professional accounting association recognized by the Manitoba government.

The auditor's job is to determine the completeness and fairness of the financial statements, in all significant respects. The auditors cannot review each and every financial transaction. The auditors perform such tests of the financial records, as they deem necessary in order for them to be able to provide a written professional opinion on the financial statements.

Auditors have a professional responsibility to remain independent and to describe any circumstances where the financial statements contain significant errors or omissions. The audit opinion generally includes a paragraph for each of the following:

- opinion
- basis for opinion
- responsibility of management and those charged with governance for the financial statements
- auditor's responsibility for the audit of the financial statements

The four types of auditor opinions are:

1. Unqualified opinion (clean report) – an audit opinion that is issued when the financial statements are presented fairly, in all material respects, free of any misrepresentations and indicates that the financial records have been maintained in accordance with GAAP.
2. Qualified opinion (qualified report) – forms a positive opinion on the financial statements as a whole, but qualifies that opinion with respect to a departure from GAAP, limitation in the scope of their examination and material misstatements. For example, community refusal to write down obsolete inventory or destroyed tangible capital assets or information can not be verified such as fundraising activity.
3. Adverse opinion (adverse audit report) – an opinion that the financial statements are not presented fairly in accordance with GAAP. For example, the statements are incomplete.
4. Disclaimer of opinion (disclaimer report) – no opinion can be given regarding the financial statements, because of a limitation in the scope of their examination. For example, absence of financial records, lack of cooperation by the community's management team. This was formerly referred to as a denial of opinion.

Auditors may also provide important information to the community council in a separate management letter. The management letter discloses any/all significant internal control weaknesses and areas for improvement identified during an audit.

4. What is the purpose of the management letter and why is it so important?

A management letter is not required as part of an audit by CPA Canada standards, however auditors usually communicate important information in writing through a management letter. The letter allows auditors to provide advice on issues for council to review and make suggestions to council on how to improve their processes and operations to ensure good financial management.

This letter is reviewed by council with the participation of the department municipal development consultant (MDC) in an exit interview. At the meeting, the auditor will explain the suggestions noted in the letter in order for council to fully understand the required changes. Council signs the acceptance of the letter and responds in writing as to the actions that will be taken for greater transparency and accountability to stakeholders.

5. How do I know whether our community is well managed, based on the audited financial statements?

An unqualified opinion means the financial statements are presented fairly, but is not, in itself, an indicator the community is well managed. This can only be determined by an analysis of the financial statements to determine what financial resources the community has and how well they are being utilized to meet community priorities.

As discussed in the questions that follow, financial statements will indicate or provide:

- a surplus or deficit that is being carried from year to year and how it changes
- whether programs are being operated within budgets and/or funding levels
- two years of information in order to compare changes from one year to the next

This is a good starting point. However, you will have to review and discuss your community's audited financial statements in order to understand what the complete financial situation is and how well your community's finances are being managed.

6. How do I know if our community is able to pay its bills?

Look at the balance sheet and compare current assets to current liabilities. Current assets are those assets on hand, ex. bank deposits, accounts receivable, etc., which represent a source of funds to cover existing liabilities or finance future operations. Current liabilities are debts of the community that must be paid in the near future, ex. one year or less.

If the current assets are greater than liabilities, cash is likely to be available to pay bills assuming that outstanding accounts receivables are collected. If current liabilities are greater, there may be problems paying bills on time.

Important note: The balance sheet is a statement detailing what assets and debts the community has on a particular date, ex. at the end of the accounting period to which the financial statements refer. It is historical information. In the case of the annual financial statement, for example, other transactions will have occurred between the time of the

completion of the audit and when the audit findings were released – transactions which may significantly alter the financial situation of the community.

7. How do I know if our community has a deficit or surplus and where it is coming from?

Look at the income statement and compare total revenues to total expenditures. Where revenues are greater than expenditures there is a surplus. If revenue is less than expenditures, a deficit exists. The accumulated total of more than one year will be either an accumulated surplus or an accumulated deficit. This amount will appear in the equity section of the balance sheet.

8. What happens if council anticipates a deficit during the year?

Legislation requires that where council determines during a fiscal year that expenditures are likely to exceed the revenue and transfers provided for in its budget, the council must immediately advise the minister in writing and may incur a deficiency with the minister's written approval, which may include any condition the minister considers necessary or advisable.

9. What if I want more detail?

Community councils are required to prepare financial statements using a standardized chart of accounts and set up programs as outlined in the *Financial Management Guide*. Each community office has a copy of this guide for use by the community administrative officer (CAO). In addition, annual audits are performed according to an established audit scope which outlines the level of detail required by the department.

The accounting program software used by communities can provide a great deal of additional information. The software can produce over 90 different reports and graphs. However, it is recommended that the following financial statements be utilized by council:

- statement of financial position (balance sheet)
- comparative statement of operations (income statement)
- project or program reports
- accounts payable reports
- accounts receivable reports
- employee payroll reports
- general ledger report for each bank account
- monthly bank reconciliations
- monthly bank statements
- trial balance

These reports can be produced easily and quickly at any time by your CAO upon request. However, some information is confidential (detailed personnel information) and it should be managed accordingly.

Some transactions will not be included in the reports until a bank reconciliation has been done. Bank reconciliations must be done each month. These will normally be completed upon receipt of the bank statement, generally mid-month. Some adjustments are required when the bank account is reconciled. Generally, these would be minor and limited to bank charges, direct deposits or automated payroll withdrawals. In any event, between bank reconciliations, reports can be generated and the outstanding items can be taken into consideration upon review of your financial statements.

10. How can I improve my understanding of financial statements?

If you do not fully understand your financial statements ask questions. First, ask your CAO about your financial position. Second, contact a department MDC. Third, contact your auditor. Finally, you may wish to seek training to assist with your areas of concern. You should know the status of your finances at any given time.

Generally, the following practices will assist you to improve your understanding of financial statements:

1. Know your business:
 - community management plan (includes operating budget, capital budget, five year capital expenditure program, staff training plan and any other component)
 - maintenance management plan
 - funding schedule and other revenue sources
 - reporting requirements
 - accounting cycles and timelines
2. Establish a specific set of financial statements for your meetings:
 - comparative statement of operations
 - prior vs current
 - budget vs actual
 - program/project reports
 - general ledgers for bank accounts
 - others as required (trial balance, etc.)
3. Attend all council meetings:
 - review your information packages prior to your meetings
 - participate and encourage discussion about your financial statements
 - share your ideas and information
 - stay focused/follow your plans
4. Hold public meetings to keep yourself and the community informed:
 - present your audited financial statements
 - develop annual reports which review your community plans and financial information using various reporting methods

5. Hold an annual interview, usually referred to as an exit interview:
 - discuss audit report with the department MDC and auditor
 - this is an opportunity for administrative staff and council to discuss and respond to issues or concerns raised in the audit report

11. What do I look for when reviewing a statement of operations (income statement)?

Normally, differences occur between budget figures and actual figures. Administrative staff can explain any differences between the amount of revenue expected (budgeted) and the actual amount received or between the expense budgeted for and the actual expense incurred.

Differences may exist because:

- a transaction occurs later than expected – this is referred to as a timing difference and will sort itself out when the transaction is eventually recorded
- an accounting error was made where a transaction has been allocated to the wrong account – this will require an entry to correct the error
- an unexpected event has taken place that was not included in the budget
- the budget underestimates or overestimates an expected amount

Small differences are not unusual – budgets are estimates after all, but it is a good idea to question large variances to understand if circumstances have changed or errors have occurred which should be corrected.

Another thing to look for is large changes in a revenue or expense category from one year to the next. Again, administrative staff can explain the variance which could be due to changes in operations or funding or again, could indicate an accounting error has occurred and should be corrected.

Sample Financial Statements

These sample financial statements as generated from the communities accounting program software are internal and are not consolidated (for example, exclusions of any community development corporation operations) as consolidation is done by the auditor in compliance with PSAB requirements:

1. Statement of Financial Position (Balance Sheet)
2. Statement of Operations (Income Statement)
3. Statement of Change in Financial Position (Statement of Cash Flows)
4. Notes to Financial Statement

There are certain entries on these sample financial statements that do not apply to unincorporated communities related to TCAs which has been noted.

Statement of Financial Position (Balance Sheet):

The balance sheet provides a snapshot of community council's financial position at any point in time, but particularly at a month-end or year-end. It is called the balance sheet

because the assets must equal (balance) the liabilities and owner's equity ($A = L + OE$).

Assets are items owned by a council.

Current assets are assets that can be converted to cash or consumed in the ordinary course of operations:

- cash: bills, coins and cheques on hand or on deposit in a bank account
- accounts receivable (A/R): money owed to council that is reported as revenue on the income statement and a receivable on the balance sheet. All outstanding A/R is money not yet collected and thus not available for council to use until collected or paid. This may include money from government funding agencies. An allowance for bad debt may be deducted from the A/R balance to arrive at the net receivable.
- short-term investments
- other current assets, ex. prepaid expenses

Other assets are non-current assets that will not ordinarily be converted to cash in the ordinary course of operations:

- reserve investments

Liabilities are monies owed by a council.

Current liabilities are debts which must be paid in the ordinary course of operations:

- accounts payable: monies owed by the council for the purchase of supplies and services
- all due amounts in Municipal Employees Benefits Program (MEBP), Canada Pension Plan (CPP), Employment Insurance (EI) and federal taxes in year-end

Deferred revenues are revenues received today, but required in the future. These represent the net future liability to the community and include funds for:

- program or service delivery
- specific project
- replacement reserves such as those funds allocated for future replacement requirements

These revenues are for a specific purpose and must be spent on the intended use.

Contingent liabilities are financial obligations which may arise in the future depending on the outcome of an existing situation that will ultimately be resolved when one or more future events occur or fail to occur. GAAP requires these be disclosed in the financial statements, usually by a note.

Equity is the difference between the assets and liabilities. Equity is made up of current earnings or loss, accumulated earnings or loss from previous periods and equity in TCAs (net book value of TCA less liabilities associated to TCA acquisitions).

Balance Sheet
[Name] Community Council
As at March 31, 2024

ASSETS

	<u>2024</u>	<u>2023</u>
Cash and Investments		
Bank: Operating	83,184.00	121,026.00
Reserve Investments	<u>317,585.00</u>	<u>344,445.00</u>
Total Cash and Investments	<u>\$400,769.00</u>	<u>\$465,471.00</u>
Receivables		
Accounts Receivable - Net	5,000.00	2,237.00
GST Paid on Purchases	<u>6,467.00</u>	<u>8,000.00</u>
Total Receivables	<u>\$11,467.00</u>	<u>\$10,237.00</u>
Fixed Assets		
Vehicles	336,512.00	276,229.00
Buildings	1,701,405.00	1,701,405.00
Water Systems	1,766,799.50	1,766,799.50
Wastewater Systems	1,766,799.50	1,766,799.50
Land Improvements	150,000.00	150,000.00
Road Surface/Grade	<u>212,041.00</u>	<u>212,041.00</u>
Total Fixed Assets	<u>\$5,933,557.00</u>	<u>\$5,873,274.00</u>
Accumulated Amortization		
Accum. Amort. - Vehicles	(92,797.00)	(71,171.00)
Accum. Amort. - Buildings	(1,461,088.00)	(1,436,926.00)
Accum. Amort. - Water Systems	(1,006,740.50)	(948,207.50)
Accum. Amort. - Wastewater Systems	(1,006,740.50)	(948,207.50)
Accum. Amort. - Land Improvements	(43,342.00)	(36,259.00)
Accum. Amort. - Road Surface/Grade	<u>(207,376.00)</u>	<u>(196,621.00)</u>
Total Fixed Assets	<u>(\$3,818,084.00)</u>	<u>(\$3,637,392.00)</u>
TOTAL ASSETS	<u>\$2,527,709.00</u>	<u>\$2,711,590.00</u>

LIABILITIES

Current Liabilities		
Accounts Payable	3,150.21	2,999.00
MEBP Medical	8.94	
MEBP Pension	417.60	
MEBP LTD	12.00	
MEBP Life	<u>1.74</u>	<u>0</u>
MEBP Payable	440.28	0
CPP Payable	165.00	
EI Payable	91.54	
Federal Income Tax Payable	<u>769.97</u>	<u>0</u>
Receiver General Payable	<u>1,026.51</u>	<u>0</u>
Total Current Liabilities	<u>\$4,617.00</u>	<u>\$2,999.00</u>
Deferred Revenue (Reserves)		
Waste Disposal Site Cell Replacement	23,586.00	21,085.00
Water Truck Replacement	1,113.00	61,244.00
Tractor Replacement	40,580.00	35,437.00
Water Breaks	29,695.00	33,464.00
Pump Replacement	7,304.00	17,266.00
Contribution to Capital	50,593.00	22,638.00
Roads and Ditching	<u>164,714.00</u>	<u>153,311.00</u>
Total Deferred Revenue (Reserves)	<u>\$317,585.00</u>	<u>\$344,445.00</u>

TOTAL LIABILITIES	<u>\$322,202.00</u>	<u>\$347,444.00</u>
EQUITY		
Equity		
Current Earnings	(158,639.00)	(232,285.00)
Retained Earnings	128,264.00	186,427.00
Transfers to Equity in TCA	180,692.00	174,122.00
Equity in TCA	<u>2,055,190.00</u>	<u>2,235,882.00</u>
TOTAL EQUITY	<u>\$2,205,507.00</u>	<u>\$2,364,146.00</u>
LIABILITIES AND EQUITY	<u>\$2,527,709.00</u>	<u>\$2,711,590.00</u>

Note: Entries related to TCAs (fixed assets, amortization and equity portion) apply to incorporated communities only

Statement of Operations (Income Statement):

The income statement presents information that allows readers to compare actual revenues and expenses to budgeted revenues and expenses. This statement shows the surplus or deficit for the current fiscal year. Budgets must be set at the beginning of the reporting year, as part of the annual community management planning process. Council must ensure a balanced budget (expenditures must equal revenues) before adopting the annual operating budget included in the CMP.

Revenues

Department O&M funding represents all the monies received or receivable by the community during the year from the department, ex. core funding, Northern Association of Community Councils (NACC) grant.

User fees and other revenues are all locally generated revenues billed by the community to users, ex. water/wastewater fees, licences, sale of assets. It is very important to keep an organized account of these revenues to ensure all revenues are reported and a proper audit trail exists. Although the amounts are shown as income, they are not available for use until collected.

Community operations are revenues generated by the community and not funded by the department, ex. a trailer court operation.

Expenses

Payroll represents total wages paid or payable by the community to both part-time and full-time employees for the period in question. Payroll also includes expenses for the community's portion of EI, CPP and council honorariums.

Operation expenses represent all the monies spent by the community for that year, other than payroll expenses, ex. phone/fax/internet, travel, road maintenance, legal/audit fees, hydro, testing, building maintenance.

Net Income

Net income is the difference between the revenues and expenses for a given period. If revenue is greater than expense, there is a surplus. If revenue is less than expense, there is a

net loss or deficit. The surplus or deficit amount is shown on the balance sheet as current earnings and at year-end is added to or subtracted from the retained earnings.

Income Statement			
[Name] Community Council			
For the year ending March 31, 2024			
REVENUE			
Department O&M Funding	<u>Budget</u>	<u>2024</u>	<u>2023</u>
Core Funding	219,766.00	228,736.00	219,776.00
Operating Reserve	15,000.00	13,731.00	26,202.00
NACC	<u>800.00</u>	<u>800.00</u>	<u>800.00</u>
Total Department O&M Funding	<u>\$235,566.00</u>	<u>\$243,627.00</u>	<u>\$246,778.00</u>
Other Federal/Provincial Grants			
Municipal Operating	14,040.00	9,240.80	11,976.00
Total Other Federal/Provincial Grants	<u>\$14,040.00</u>	<u>\$9,240.80</u>	<u>\$11,976.00</u>
User Fees and Other Revenue			
Municipal Taxes	12,500.00	49,454.00	10,538.00
Water and Wastewater Services	31,000.00	11,305.00	11,408.00
Solid Waste Services	15,494.00	13,352.00	12,392.00
Rentals	7,300.00	10,727.00	6,300.00
Licenses/Permits/Fees	1,000.00	1,026.00	867.00
Interest	<u>5,000.00</u>	<u>6,345.00</u>	<u>4,195.00</u>
Total User Fees and Other Revenue	<u>\$72,294.00</u>	<u>\$92,209.00</u>	<u>\$51,009.00</u>
Capital			
Water Truck Replacement	<u>0</u>	<u>71,283.00</u>	<u>0</u>
Total Capital	<u>\$0</u>	<u>\$71,283.00</u>	<u>\$0</u>
TOTAL REVENUE	<u>\$321,900.00</u>	<u>\$416,000.00</u>	<u>\$309,763.00</u>
EXPENSE			
Payroll			
Wages	172,500.00	158,896.00	131,686.00
Council Honorariums	<u>9,840.00</u>	<u>10,210.00</u>	<u>11,070.00</u>
Total Payroll	<u>\$182,340.00</u>	<u>\$169,106.00</u>	<u>\$142,756.00</u>
Operations			
Bank/Late Fees/Interest	1,000.00	688.00	428.00
Postage/Freight	4,000.00	6,140.00	4,877.00
Phone/Fax/Internet	5,000.00	5,496.00	8,462.00
Accounting/Auditing/Legal	4,500.00	4,625.00	4,066.00
Memberships/Registration Fees	200.00	2,845.00	3,767.00
Training	4,269.00	5,480.00	5,101.00
Travel	4,000.00	4,577.00	4,817.00
Road Maintenance	10,000.00	12,881.00	10,500.00
Site Maintenance	6,000.00	11,380.00	12,852.00
Building Maintenance	3,000.00	10,281.00	9,247.00
Equipment Rental	800.00	1,695.00	681.00
Equipment Maintenance	8,000.00	11,000.00	9,500.00
Pump Replacement	2,000.00	9,962.00	11,000.00
Equipment	13,000.00	30,477.00	31,760.00
Supplies	4,000.00	16,300.00	11,474.00
Hydro	30,800.00	34,697.00	32,214.00
Fuel	3,000.00	4,265.00	3,067.00
Licences and Insurance	3,991.00	7,372.00	6,864.00

Chemicals	25,000.00	25,005.00	24,445.00
Testing	2,000.00	2,048.00	1,291.00
Water and Wastewater Line Repairs	5,000.00	3,769.00	15,202.00
Other Operations	0	13,858.00	13,555.00
Total Operations	<u>\$139,560.00</u>	<u>\$224,841.00</u>	<u>\$225,170.00</u>
Other Expenses			
Amortization Expense	0	180,692.00	174,122.00
Total Other Expenses	<u>\$0</u>	<u>\$180,692.00</u>	<u>\$174,122.00</u>
TOTAL EXPENSE	<u>\$321,900.00</u>	<u>\$574,639.00</u>	<u>\$542,048.00</u>
NET INCOME	<u>\$0</u>	<u>\$(158,639.00)</u>	<u>\$(232,285.00)</u>

Note: Entries related to amortization of TCAs apply to incorporated communities only.

Statement of Change in Financial Position (Statement of Cash Flows):

The statement of cash flows describes where your money came from and where it went over a certain period in the past. This report helps you to examine your ability to generate cash and how you use it. It also breaks down your cash flow into three categories for easier analysis:

- **operating activities** include the excess of revenues over expenses, adjusted for items not requiring a current outlay of cash and the changes in the working capital balances related to operations
- **financing activities** include the receipt of debt proceeds and any increase or decrease in replacement reserves
- **investing activities** include the purchase and sale of capital assets

In essence, this report shows the changes to various accounts over a reporting period. Similar information can be obtained by comparing two balance sheets, one from the day before the beginning of the period and one for the end. This statement can be created only within a fiscal year (either this year or last). The cash at end of year details should match the related assets on the balance sheet.

Statement of Cash Flows		
[Name] Community Council		
For the year ending March 31, 2024		
Cash Flows from (used in) Operating Activities	<u>2024</u>	<u>2023</u>
Net Income (Loss)	(158,639.00)	(232,285.00)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization, Depreciation and Depletion		
Amortization Expense	180,692.00	174,122.00
Decrease (Increase) in Operating Assets		
Accounts Receivable	(1,230.00)	2,359.00
Increase (Decrease) in Operating Liabilities		
MEBP Medical	8.94	0
MEBP LTD	12.00	0
MEBP Life	1.74	0
MEBP Pension	417.60	0
Water Truck Replacement	(60,283.00)	0
Accounts Payable	151.21	(1,072.00)

CPP Payable	165.00	0
EI Payable	91.54	0
Federal Income Tax Payable	<u>769.97</u>	<u>0</u>
Net Cash provided by (used in) Operating Activities	<u>(\$37,842.00)</u>	<u>(\$56,876.00)</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(\$37,842.00)</u>	<u>(\$56,876.00)</u>
Cash and Cash Equivalents at Beginning of Period	<u>\$121,026.00</u>	<u>\$177,902.00</u>
Cash and Cash Equivalents at End of Period	<u>\$83,184.00</u>	<u>\$121,026.00</u>

Note: Entries related to amortization of TCAs apply to incorporated communities only.

Notes to Financial Statements:

These are an integral part of the financial statements and are very important in understanding the financial statements and provide more information beyond what is shown in the financial numbers of the statements. They explain significant accounting practices and provide additional information on other matters that will affect the financial position of your community.

At right are some examples of explanatory notes to financial statements. The type and amount of information will vary from community to community. At a minimum, the notes should include useful details on:

- the accounting policies used by the community
- accounts receivable

[Name] Community Council Notes to Financial Statements Year Ended March 31, 2024		
1. Significant Accounting Policies		
Revenue and expenditures are recorded on an accrual basis.		
2. Accounts Receivable	2024	2023
Interest	150	0
Reimbursement	1,560	100
Water Services	3,000	1,500
GST Refund	<u>3,200</u>	<u>1,050</u>
	\$7,910	\$2,650
Less: Allowance for Doubtful Acc.	<u>(500)</u>	<u>(200)</u>
Net Accounts Receivable	\$7,410	\$2,450

Independent Auditor’s Report

The covering report by the independent auditor that accompanies the audited financial statements includes important information. The report details the scope of the audit - what the auditor examined, for what period and in accordance with what standards. It also includes the auditor’s opinion on the accuracy of the financial statements. The auditor will provide an unqualified, qualified, adverse opinion or a disclaimer of opinion (formerly denial of opinion).

An example of an unqualified opinion is shown on the next page indicated with wording “...***financial statements represent fairly***...”. The department requires the community maintain at least a qualified audit or better, preferably an unqualified audit. When an auditor has reservations, they will detail them in a separate paragraph before the opinion paragraph.

A qualified opinion would be indicated with wording similar to “...***except for the effects of the adjustment referred to in the preceding paragraph, these financial statements present fairly***...”

An adverse opinion would be indicated with “...***these financial statements do not represent fairly***...”

A disclaimer of opinion would be indicated with “...***we are unable to express an opinion whether these financial statements are presented fairly***...”

Example: Unqualified Opinion

[Auditing Company Name]
INDEPENDENT AUDITOR’S REPORT
To [Name] Community Council
Opinion
We have audited the financial statements of [Name] Community Council, which comprise the statement of financial position as at March 31, 2024, and the statements of statement of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying *financial statements present fairly* , in all material respects, the financial position of the [Name] community council as at March 31, 2024, and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.
Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the <i>Auditor’s Responsibilities for the Audit of the Financial Statements</i> section of our report. We are independent of the [Name] community council in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Signed by

[Auditing Company Name]
[Location], Manitoba
Date _____