

# D1

LOCAL REVENUE FINANCIAL REPORTING

---

STANDARDS



[www.fnfmb.com](http://www.fnfmb.com)

APRIL 1, ~~2019~~ 2016

## Who is the FMB?

The First Nations Financial Management Board (“the FMB”) is an independent First Nations institution that was created through federal legislation, the *First Nations Fiscal Management Act* (“the FMA”). The FMA is a law that provides First Nations with support and tools to strengthen their communities and build their economies. First Nations can choose whether or not to participate in the FMA.

The FMA also established two other First Nation institutions – the First Nations Tax Commission (“the FNTC”) and the First Nations Finance Authority (“the FNFA”). The three institutions were created with mandates to provide an array of tools to promote economic growth for First Nations. These tools include property tax jurisdiction, access to financial markets and tools for financial management.

The FMB provides capacity development support to First Nations seeking to strengthen their governance and finance practices. The FMB creates examples of good governance and finance practices and offers certification for those Nations wanting to show that they are following those practices. First Nations need certain certifications offered by the FMB to be eligible to access loans from the FNFA.



## What are local revenues?

Local revenues is the term used to describe property taxes under the FMA. For First Nations, property taxes provide an independent, stable and flexible source of revenue, which can be reinvested in First Nation communities to build economic infrastructure, attract investment, and promote economic growth. Property taxation also establishes jurisdiction and provides First Nations with improved powers to control land development.

A First Nation may choose to implement a property taxation regime under the *Indian Act* or using the provisions contained in the FMA. Once a First Nation becomes scheduled to the FMA, it may only exercise its authority to levy property taxes under the FMA and not under the *Indian Act*. All First Nations scheduled to the FMA who are raising local revenues are required under the FMA to account for, and report on, their local revenues, separately from other moneys of the First Nation in accordance with Standards set by the FMB.

## What are the Local Revenue Financial Reporting Standards and who should use this document?

The *Local Revenue Financial Reporting Standards* (“Financial Reporting Standards”) are for First Nations levying local revenue who have been scheduled to the FMA. The FMB has established these Financial Reporting Standards to assist First Nations in complying with the local revenue financial reporting requirements of the FMA.

This will normally require a First Nation to prepare a set of separate annual financial statements for the purpose of reporting the collection and use of local revenues during the period. This is necessary to fulfil the principles of transparency and accountability. These financial statements and the accompanying audit report are to be made available to members of the First Nation, taxpayers, the FNTC, the FMB and the Minister of Indigenous Services Canada.

The FMA also includes an option for reduced reporting to accommodate the needs of those First Nations that are generating a small amount of local revenues, where the costs of preparing separate audited local revenue financial statements may be significant relative to the amount of revenue raised. A First Nation that meets the criteria contained in the Financial Reporting Standards may disclose the required financial information as a separate segment in the First Nation’s annual audited financial statements.

The FMB has published several companion documents to the Financial Reporting Standards to assist First Nations in preparing their local revenue financial statements or segment report in the First Nation’s annual financial statements:

- *D2 – Illustrative Local Revenue Financial Statements* – Local revenue financial statement preparers are encouraged to refer to this document which also includes recommended minimum note disclosures and an illustrative independent auditor’s report. The presentation requirements are based on, and are meant to be consistent with, the *Standards for First Nation Expenditure Laws* and the *Sample Annual Expenditure Law* published by the FNTC.
- *D3 – Local Revenue Financial Reporting – Illustrative Segment Note Disclosure* – Financial statement preparers using the segment note reporting option for local revenues are encouraged to refer to this document for an illustrative segment note disclosure for inclusion in the annual financial statements of the First Nation.
- *D4 – Local Revenue Financial Reporting – Explanatory Notes* – This document has been issued as companion resource to assist preparers of local revenue financial information apply these standards. These explanatory notes seek to clarify certain standards and provide insight on the decisions that need to be made by First Nation management.

## Does the FMB issue standards for other areas of financial management for First Nations?

The FMB has a collection of Standards and Procedures for First Nations to utilise in developing, implementing and improving their financial management and to guide FMB's Certification services.

FINANCIAL ADMINISTRATION LAW			
	A1	FINANCIAL ADMINISTRATION LAW – REVIEW PROCEDURES	These Procedures apply when a First Nation requests compliance approval of their Financial Administration Law by the FMB.
	A2	FINANCIAL ADMINISTRATION LAW – STANDARDS	These Standards support sound financial administration practices and are the foundation of a Financial Administration Law.
	A3	SAMPLE FINANCIAL ADMINISTRATION LAW	An example of a law that meets the requirements of the <i>Financial Administration Law – Standards</i> .
	A4	FINANCIAL ADMINISTRATION LAW – EXPLANATORY NOTES	These explanatory notes supplement the sample financial administration law.
	A5	FINANCIAL ADMINISTRATION LAW – SELF-ASSESSMENT	A tool that can be used to compare an existing or proposed Financial Administration Law to the <i>Financial Administration Law – Standards</i> .
FINANCIAL MANAGEMENT SYSTEM			
	B1	FINANCIAL MANAGEMENT SYSTEM - CERTIFICATION PROCEDURES	These procedures apply when a First Nation requests a review of their financial management system for the purpose of obtaining Financial Management System Certification from the FMB.
	B2	FINANCIAL MANAGEMENT SYSTEM – STANDARDS	A First Nation must demonstrate compliance with these Standards with in order to achieve Financial Management System Certification. These Standards support sound financial practices for the operation, management, reporting and control of the financial management system of a First Nation.
FINANCIAL PERFORMANCE			
	C1	FINANCIAL PERFORMANCE – CERTIFICATION PROCEDURES	These procedures apply when a First Nation requests a review of their financial performance for the purpose of obtaining Financial Performance Certification from the FMB.
	C2	FINANCIAL PERFORMANCE – STANDARDS	These Standards assess the historical financial performance of a First Nation over a five year period using up to six financial ratios. A First Nation must demonstrate compliance with these Standards in order to achieve Financial Performance Certification.
LOCAL REVENUE FINANCIAL REPORTING			
<input checked="" type="checkbox"/>	D1	LOCAL REVENUE FINANCIAL REPORTING – STANDARDS	These Standards establish requirements for the financial reporting of a First Nation's local revenues and expenditures.
	D2	LOCAL REVENUE FINANCIAL REPORTING – ILLUSTRATIVE FINANCIAL STATEMENTS	Illustrative annual financial statements for a First Nation's local revenues and expenditures designed to comply with <i>Local Revenue Financial Reporting – Standards</i> .
	D3	LOCAL REVENUE FINANCIAL REPORTING – ILLUSTRATIVE SEGMENT NOTE DISCLOSURE	Illustrative segment note disclosure for a First Nation's local revenues for inclusion in the annual financial statements of a First Nation designed to comply with <i>Local Revenue Financial Reporting – Standards</i> .
	D4	LOCAL REVENUE FINANCIAL REPORTING – EXPLANATORY NOTES	These explanatory notes accompany the <i>Local Revenue Financial Reporting – Standards</i> .

## TABLE OF CONTENTS

1.0	PURPOSE .....	1
2.0	APPLICATION .....	1
3.0	INTERPRETATION OF STANDARDS .....	1
4.0	CONFLICTS .....	<del>33</del>
5.0	LOCAL REVENUE FINANCIAL INSTITUTION ACCOUNT .....	<del>33</del>
6.0	TRANSFERS TO OTHER FINANCIAL INSTITUTION ACCOUNTS .....	<del>33</del>
7.0	LOCAL REVENUE FINANCIAL STATEMENTS .....	<del>33</del>
8.0	LOCAL REVENUE FINANCIAL STATEMENT DISCLOSURES .....	<del>44</del>
9.0	LOCAL REVENUE FINANCIAL STATEMENT AUDIT .....	<del>55</del>
10.0	LOCAL REVENUE FINANCIAL STATEMENT APPROVAL .....	<del>65</del>
11.0	LOCAL REVENUE SEGMENT DISCLOSURE .....	<del>66</del>
	<b>SCHEDULE 1 – LOCAL SERVICE EXPENDITURE CATEGORIES .....</b>	<b><del>77</del></b>

## FIRST NATIONS FINANCIAL MANAGEMENT BOARD

### LOCAL REVENUE FINANCIAL REPORTING STANDARDS

#### 1.0 PURPOSE

**1.1 Purpose of Standards** – The purpose of these standards is to assist ~~first nations~~[First Nations](#) with the financial reporting of a ~~first nation's~~[First Nation's](#) local revenues, including the audit of this financial information, under section 14(2) of the Act. These standards are meant to promote transparency and accountability for the collection and expenditure of local revenues.

**1.2 Caution** – These Local Revenue Financial Reporting Standards have been developed for the purposes set out in the Act only and may not include other applicable financial reporting or auditing requirements imposed by law or agreement on a ~~first nation~~[First Nation](#).

#### 2.0 APPLICATION

**2.1 Application** – The standards apply to all ~~first nations~~[First Nations](#) which are named in the schedule to the Act and which are collecting local revenues under the Act.

#### 3.0 INTERPRETATION OF STANDARDS

**3.1 Definitions** – Unless the context indicates otherwise, in these standards:

“**Act**” means the *First Nations Fiscal Management Act*;

“**annual expenditure law**” means a local revenue law establishing a budget for the receipt and expenditure of local revenues and referred to in paragraph 5(1)(b) of the Act;

“**auditor**” means the auditor of the ~~first nation~~[First Nation](#) who meets the requirements set out in standard 9.1;

~~“**Board**” means the First Nations Financial Management Board;~~

“**budget year**” means the twelve-month period selected by a ~~first nation~~[First Nation](#) for the purpose of establishing an annual expenditure law;

~~“**Canadian generally accepted auditing standards**” means the authoritative pronouncements of the Auditing and Assurance Standards Board contained in the Chartered Professional Accountants of Canada Assurance Handbook, as amended or replaced from time to time;~~

“**council**” means the council of the ~~first nation~~[First Nation](#);

~~“**director of finance**” means the senior financial officer or controller responsible for the day-to-day management or administration of the First Nation's financial administration system;~~

“**financial institution**” means the First Nations Finance Authority, a bank, a credit union or caisse populaire;

~~“first nation~~**First Nation**” means a ~~first nation~~**First Nation** named in the schedule of the Act and collecting local revenues under the Act;

~~“FNFA” means the First Nations Finance Authority;~~

“FNTC” means the First Nations Tax Commission;

“GAAP” means generally accepted accounting principles of the Chartered Professional Accountants of Canada, as amended or replaced from time to time;

~~“generally accepted auditing standards” means the authoritative pronouncements of the Auditing and Assurance Standards Board contained in the Chartered Professional Accountants of Canada Assurance Handbook, as amended or replaced from time to time;~~

“including” means ‘including, but not limited to’;

“local revenue financial statements” means the separate annual financial statements described in standards ~~57.0 and 6 to 10.0~~;

“local revenue law” means a local revenue law made by a ~~first nation~~**First Nation** under subsection 5(1) of the Act;

“local revenues” means moneys raised under a local revenue law and payments made to a ~~first nation~~**First Nation** in lieu of a tax imposed by a law made under paragraph 5(1)(a) of the Act;

“taxpayer” means a person liable for the payment of taxes;

“reporting period” means the twelve-month period used to prepare ~~annual~~ local revenue financial statements; and

“taxation year” means the calendar year to which an assessment roll applies for the purposes of taxation.

**3.2 Application of Act definitions** – Unless the context indicates otherwise, the words and expressions used in these standards, and not otherwise defined, have the same meanings as in the Act.

**3.3 Rules of interpretation** – In these standards, the following rules of interpretation apply:

- a. words in the singular include the plural, and words in the plural include the singular;
- b. if a word or expression is defined, other parts of speech and grammatical forms of the same word or expression have corresponding meanings;
- c. a reference to a law, including a financial administration law, means the law as amended or replaced from time to time;

- d. a reference to a standard means the standard as amended or replaced from time to time;
- e. headings, subheadings and notes are inserted for convenience of reference only, do not form part of these standards and in no way define, limit, alter or enlarge the scope or meaning of any provision of these standards.

**3.4 Mandatory provisions** – These standards establish requirements that must be met in the preparation and audit of local revenue financial statements under section 14 of the Act unless a particular standard is expressed as permissive.

#### 4.0 CONFLICTS

**4.1 Between standards and Act** – In the event of a conflict between a provision of these standards and the Act, the Act prevails to the extent of the conflict.

**4.2 Higher standards apply** – Despite standard 4.1, if a provision of these standards imposes a higher standard than that imposed in a provision of the Act, the higher standard must be applied.

#### 5.0 LOCAL REVENUE FINANCIAL INSTITUTION ACCOUNT

**5.1 Separate financial institution account** – The local revenues collected by the ~~first-nation~~[First Nation](#) are deposited to, and withdrawn from, a separate financial institution account and are not comingled with other moneys of the ~~first-nation~~[First Nation](#) in accordance with subsection 13(1) of the Act.

#### 6.0 TRANSFERS TO OTHER FINANCIAL INSTITUTION ACCOUNTS

**6.1 Required disclosure** – If local revenues are transferred from the local revenue financial institution account to a different and unrelated financial institution account of the ~~first-nation~~[First Nation](#), the reasons for each transfer and the anticipated use of the transferred funds (using the local service expenditure categories and subcategories described in Schedule 1) are disclosed in the notes to the local revenue financial statements.

**6.2 Suggested disclosure** – The disclosure referred to in standard 6.1 should also be considered by the ~~first-nation~~[First Nation](#) for inclusion in the notes to the ~~first-nation's~~[First Nation's](#) annual financial statements.

#### 7.0 LOCAL REVENUE FINANCIAL STATEMENTS

**7.1 Required content** – The local revenue annual financial statements include the following:

- a. a statement of revenues and expenditures;
- b. a statement of changes in reserve funds; and



- c. any necessary notes or schedules required under these standards or to meet the needs of readers of the statements.

**7.2 Statement of revenues and expenditures** – The statement of revenues and expenditures referenced in standard 7.1 is prepared in a manner consistent with the presentation of the local revenue component of the ~~first nation's~~[First Nation's](#) annual budget as reflected in its annual expenditure law and includes a comparison of:

- a. annual budgeted amounts for revenues and expenditures as presented in the ~~first nation's~~[First Nation's](#) most recent annual expenditure law; and
- b. actual results for the current and immediately preceding reporting periods.

(Schedule 1 attached to these standards contains an illustrative format for the presentation of local revenue expenditures based on the *Sample Annual Expenditure Law* as issued by the FNTC.)

**7.3 Statement of changes in reserve funds** – The statement of changes in reserve funds referenced in standard 7.1 includes the following information for each reserve fund:

- a. the beginning balance as at the beginning of the reporting period;
- b. the effects of any retrospective restatements or retrospective application of changes in accounting policies;
- c. a reconciliation between the carrying amount at the beginning and the end of the reporting period, separately disclosing, on a gross basis, changes resulting from:
  - i. transfers to and from other segments or departments within the ~~first nation~~[First Nation](#);
  - ii. transfers into and out from other reserve funds; and
  - iii. moneys borrowed and repaid;
- d. interest earned during the period;
- e. the ending balance as at the end of the reporting period.

**7.4 Reporting period** – The local revenue financial statements are prepared on an annual basis reflecting the budget year of the ~~first nation~~[First Nation](#).

## 8.0 LOCAL REVENUE FINANCIAL STATEMENT DISCLOSURES

**8.1 Minimum disclosures** – The local revenue financial statements include, at a minimum, the following disclosures:

- a. description of local revenue activities – a brief description of the composition and purpose of local revenues and expenditures;
- b. basis of presentation – a brief description of the basis of presentation selected when preparing the statements. (Reference may be given to both the requirements under the Act and these standards); ~~and~~
- c. any events occurring between the date of the financial statements and the date of their completion that may have a significant effect on future local revenues;  
and.
- ~~e.d.~~ \_\_\_\_\_ any other relevant information that may assist readers of the statements.

## 9.0 LOCAL REVENUE FINANCIAL STATEMENT AUDIT

**9.1 Auditor qualifications** – The auditor of a ~~first nation's~~First Nation's local revenue financial statements is

- a. appointed by the council of the ~~first nation~~First Nation,
- b. independent of the ~~first nation~~First Nation and the administration of its local revenues and expenditures, and
- c. a public accounting firm or public accountant
  - i. in good standing with the Chartered Professional Accountants of Canada, ~~the Canadian Institute of Chartered Accountants, the Certified General Accountants Association of Canada or the Society of Management Accountants of Canada and their respective counterparts or their respective counterpart~~ in the province or territory in which the public accounting firm or public accountant is practicing, and
  - ii. licensed or otherwise authorized to practice public accounting in the province or territory in which the majority of the reserve lands of the ~~first nation~~First Nation are located.

**9.2 Required auditing standards** – The auditor audits the local revenue financial statements in accordance with Canadian generally accepted auditing standards.

**9.3 Recommended assurance standard** – The auditor may consider the Canadian Auditing Standard 805, *Special considerations — audits of single financial statements and specific elements, accounts or items of a financial statement*, to be the appropriate assurance standard to apply in most situations.

**9.4 Auditor's report** – The auditor's report on the local revenue financial statements expresses an opinion whether the financial statements present fairly, in all material respects, the local revenues and expenditures of the ~~first nation~~First Nation, and the changes in reserve funds funded by local

revenues of the ~~first nation~~First Nation for the reporting year in accordance with the appropriate basis of accounting.

**9.5 Required audit completion date** – Subject to any earlier dates specified in a ~~first nation's~~First Nation's local revenue law or financial administration law, an annual audit of a ~~first nation's~~First Nation's local revenue financial statements is completed and the auditor's report dated and issued no later than one hundred twenty (120) days after the ~~first nation's~~First Nation's reporting year end.

## **10.0 LOCAL REVENUE FINANCIAL STATEMENT APPROVAL**

**10.1 Review and approval** – Subject to any earlier dates specified in a First Nation's local revenue law or financial administration law, the First Nation's audited annual local revenue financial statements are reviewed and approved by council no later than one hundred twenty (120) days after the First Nation's reporting year end.

**10.2 Signatories** – The audited annual local revenue financial statements are signed by

- a. the chief of the First Nation or the council chairperson,
- b. the chairperson of the finance and audit committee, if applicable, and
- c. the director of finance.

### **~~10.011.0~~ LOCAL REVENUE SEGMENT DISCLOSURE**

**~~10.11.1~~ Option** – A ~~first nation~~First Nation may choose to report its local revenues under this standard – rather than under standards 7.0 to ~~9~~10.0 – if the conditions set out in standard ~~10~~11.2 apply.

**~~10.211.2~~ Conditions to use Segment Disclosure** – A ~~first nation~~First Nation may report on its local revenues in its audited annual financial statements prepared in accordance with GAAP as a distinct segment of the activities that appear in the statements if the ~~first nation~~First Nation raises no more than \$400,000 of local revenues during the current taxation year.

**~~10.311.3~~ GAAP** – A segment note disclosure prepared in accordance with this standard is prepared in accordance with GAAP and the ~~first nation's~~First Nation's own accounting policies. (Public Sector Accounting ~~Standard~~Standards Section PS 2700, *Segment reporting disclosures*, contains the authoritative requirements for the presentation and content of segment information within a set of financial statements of a ~~first nation~~First Nation.)

## SCHEDULE 1 - Local Service Expenditure Categories

- |  |  |
|--|--|
| <p><b>1. General Government Expenditures</b></p> <ul style="list-style-type: none"> <li>a. Executive and Legislative</li> <li>b. General Administrative</li> <li>c. Other General Government</li> </ul> <p><b>2. Protection Services</b></p> <ul style="list-style-type: none"> <li>a. Policing</li> <li>b. Firefighting</li> <li>c. Regulatory Measures</li> <li>d. Other Protective Services</li> </ul> <p><b>3. Transportation</b></p> <ul style="list-style-type: none"> <li>a. Roads and Streets</li> <li>b. Snow and Ice Removal</li> <li>c. Parking</li> <li>d. Public transit</li> <li>e. Other Transportation</li> </ul> <p><b>4. Recreation and Cultural Services</b></p> <ul style="list-style-type: none"> <li>a. Recreation</li> <li>b. Culture</li> <li>c. Heritage Protection</li> <li>d. Other Recreation and Culture</li> </ul> <p><b>5. Community Development</b></p> <ul style="list-style-type: none"> <li>a. Housing</li> <li>b. Planning and Zoning</li> <li>c. Community Planning</li> <li>d. Economic Development Program</li> <li>e. Tourism</li> <li>f. Trade and Industry</li> <li>g. Land Rehabilitation and Beautification</li> <li>h. Other Regional Planning and Development</li> </ul> | <p><b>6. Environmental Health Services</b></p> <ul style="list-style-type: none"> <li>a. Water Purification and Supply</li> <li>b. Sewage Collection and Disposal</li> <li>c. Garbage Waste Collection and Disposal</li> <li>d. Recycling</li> <li>e. Other Environmental Services</li> </ul> <p><b>7. Fiscal Services</b></p> <ul style="list-style-type: none"> <li>a. Long-term Borrowing Payments to the First Nations Finance Authority</li> <li>b. Interim financing Payments to the First Nations Finance Authority</li> <li>c. Other Payments</li> <li>d. Accelerated Debt Payments</li> <li>e. Other Fiscal Services</li> </ul> <p><b>8. Other Services</b></p> <ul style="list-style-type: none"> <li>a. Health</li> <li>b. Social Programs and Assistance</li> <li>c. Agriculture</li> <li>d. Education</li> <li>e. Other Service</li> </ul> <p><b>9. Grants</b></p> <ul style="list-style-type: none"> <li>a. Home owner grant equivalents</li> <li>b. Other grants</li> </ul> <p><b>10. Contingency <del>Amounts</del>Amount</b></p> <p><b>11. Transfers into Reserve Funds</b></p> <p><b>12. Repayment of moneys borrowed from Reserve Funds</b></p> |
|--|--|

(Source: Sample Annual Expenditure Law, First Nations Tax Commission, [2015-04-09](#))

[2019-03-13](#))



First Nations Financial Management Board  
Suite 905 – 100 Park Royal  
West Vancouver, BC V7T 1A2

Tel: 604-925-6665 | Toll Free 1-877-925-6665 | Fax 604-925-6662  
Website: [www.fnfmb.com](http://www.fnfmb.com)