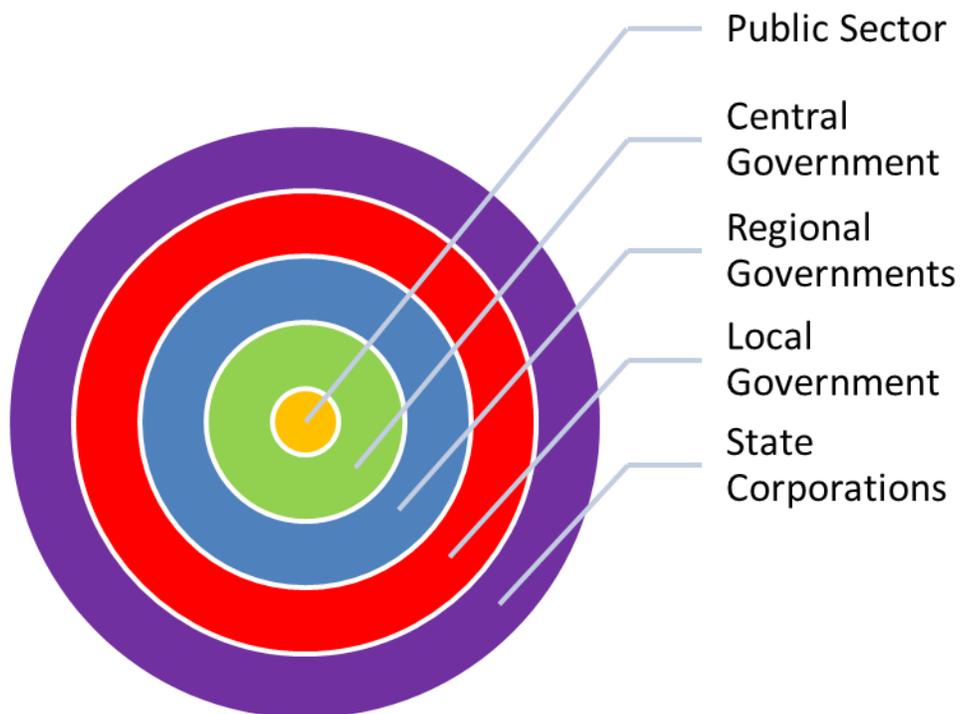
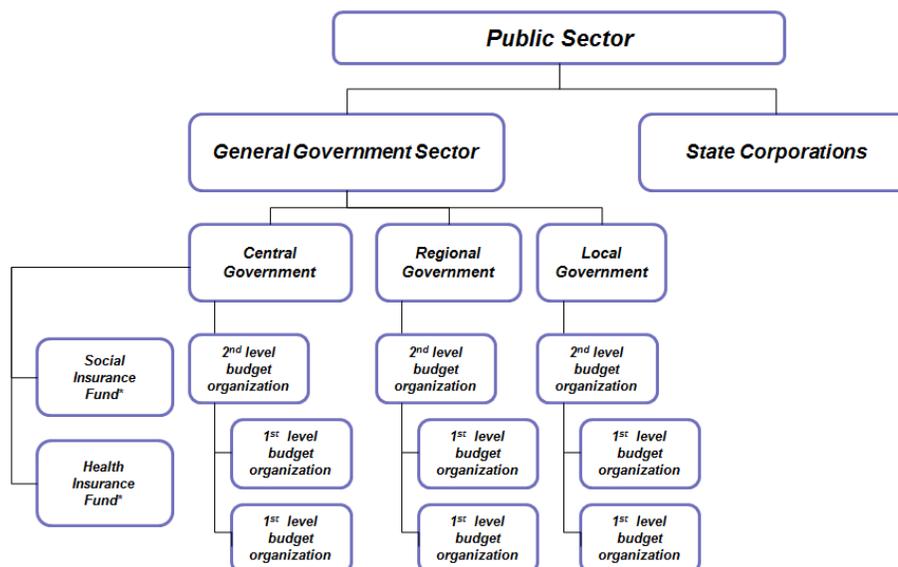


## Consolidation levels

Financial statements consolidation should encompass the whole public sector, which in line with international standards consists of the following subsectors.



Consolidation can be carried out at different levels of public sector presented in this chart.



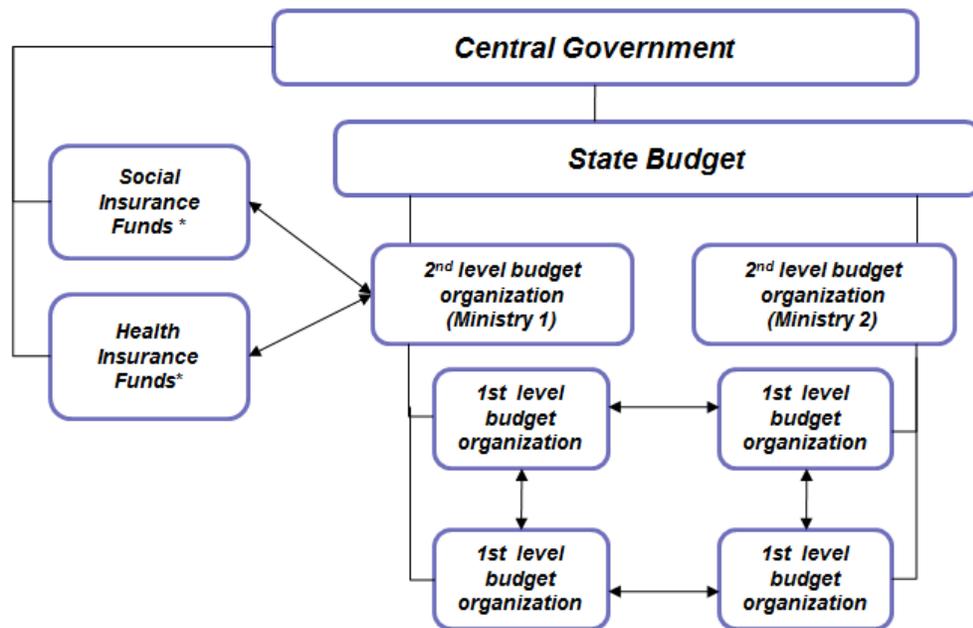
\*Social insurance funds and health insurance funds can be included into subsectors of government bodies of various levels or united into a separate subsector of general government sector

There are 2 types of consolidation: intrasector which covers various budget organizations of a certain sector and intersector which covers various subsectors of public sector.

Each budget organization of the 1<sup>st</sup> level (spending unit) presents financial statements to the superior budget organization of the 2<sup>nd</sup> level, i.e. central line government bodies, or regional and local government bodies (ministry, department, financial division), which aggregate, consolidate received statements and submit them to to the respective government body (Ministry of Finance) for further consolidation of respective transactions.

Thus, first, intrasectoral consolidation is carried out that is followed by intersectoral one.

Let us have a look at intrasectoral consolidation by levels presented in the following scheme.



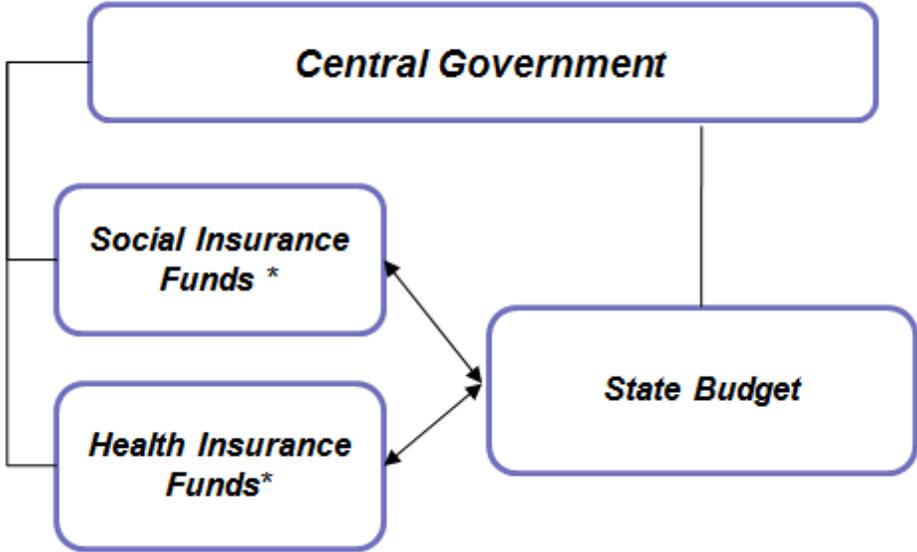
One budget organization transfers funds to another budget organization for major overhaul. In this case, this amount will be reflected as revenues in the report on budget execution of this organization, and as expenditures in the report of the organization that provided the funds.

In case when these transactions are carried out between budget organization of the same ministry, consolidation of performed by this ministry by means of excluding these amounts from revenues and expenditures.

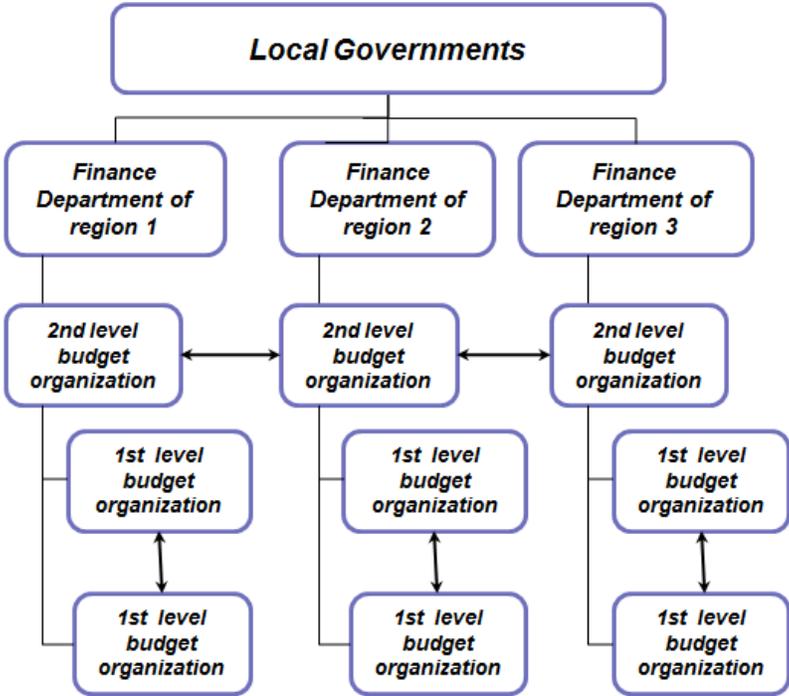
In case the budget institutions belong to different ministries, consolidation is carried out by the Ministry of Finance during preparation of consolidated report on state budget execution.

Another example of transactions subject to intrasector consolidation are transfers from the state budget to social insurance budget and health insurance funds.

In the report on budget execution prepared by the central government the amount of transfers is also excluded from revenues and expenditures.



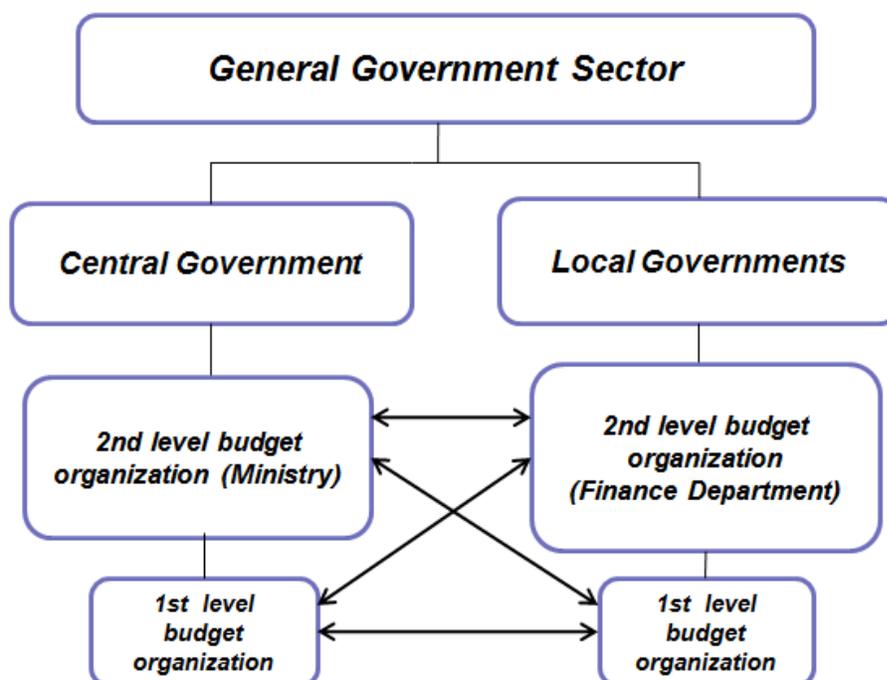
Relations between local government and budget organizations of local government subsector are also subject to intrasectoral consolidation.



In case when transfers or credit transactions, including payment of credit interests are executed between local authorities from the same region, consolidation of financial statements is performed by the Finance Department of this region.

If the local authorities belong to different regions, consolidation at the level of local authorities subsector is performed by the Ministry of Finance.

Let us have a look at the examples of intersector consolidation by subsectors, presented in the following scheme.



Second level budget organization from central government subsector (Ministry) makes transfers to the local body of the first or the second level belonging to the local government subsector. In the financial statements of the Ministry, these amounts are recorded as expenditures, while in the financial statements of the local authorities that received the transfer this amount is recorded as revenues.

When consolidated report on national public budget execution is prepared the amount of the respective transfers are excluded from revenues and expenditures.

The amounts of domestic loans and interests on them are also not included into consolidated reports.