

# **REGIONAL DISTRICT LGDE HELP MANUAL**

Issued by

The Ministry of Community, Aboriginal and Women's Services

Local Government Infrastructure and Finance Division

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## **Sections of the Help Manual**

<a href="#">1. Introduction</a>	8
<a href="#">2. General Reporting Requirements for Local Governments in BC</a>	9
<a href="#">3. Financial Reporting Entities</a>	10
<a href="#">4. General Structure of the LGDE Forms</a>	11
<a href="#">5. Financial Schedules</a>	13
<a href="#">5(a) – Statement of Financial Position Schedule A2 (PS-1800)</a>	13
<a href="#">5(a)(i). Financial Assets</a>	14
<a href="#">Cash and Investments (Line a)</a>	14
<a href="#">Accounts Receivable (Line b)</a>	14
<a href="#">Receivables from Governments (Line b1)</a>	14
<a href="#">Receivables from Federal/Provincial Government and Agencies (Line b1a)</a>	14
<a href="#">Receivables from Local Government and Agencies (Line b1b)</a>	15
<a href="#">Receivables from Non-Governments (Line b2)</a>	15
<a href="#">MFA Deposit Notes (Line c)</a>	15
<a href="#">For Member Municipalities (Line c1)</a>	15
<a href="#">For RD Services (Line c2)</a>	15
<a href="#">Loans Receivable (Line d)</a>	15
<a href="#">Loans Receivable from Municipalities for MFA Debt (Line d1)</a>	16
<a href="#">Other Loans Receivable (Line d2)</a>	16
<a href="#">Other Financial Investments (Line e)</a>	16
<a href="#">Property Held for Resale (Line f)</a>	16
<a href="#">Other Financial Assets (Line g)</a>	17
<a href="#">Total Financial Assets (Line h)</a>	17
<a href="#">5(a)(ii) - Liabilities (Sch A2)</a>	18
<a href="#">Temporary Borrowing (Line i)</a>	18
<a href="#">Accounts Payable and Accrued Liabilities (Line j)</a>	18
<a href="#">Government Payables and Accrued Liabilities (Line j1)</a>	18
<a href="#">Non-Government Payables and Accrued Liabilities (Line j2)</a>	18
<a href="#">Restricted Revenue (Line k)</a>	18
<a href="#">MFA Debt Reserves (Line k1)</a>	18
<a href="#">MFA Debt Reserves for Member Municipalities (Line k1a)</a>	19
<a href="#">MFA Debt Reserves for RD Services (Line k1b)</a>	19
<a href="#">Development Cost Charges (Total Line k2)</a>	19
<a href="#">Developer Cash Contribution in Lieu of Parkland (Line k3)</a>	19
<a href="#">Other Restricted Revenue (Line k4)</a>	19
<a href="#">Deferred Revenue (Line l)</a>	19
<a href="#">Long Term Debt (Line m)</a>	20
<a href="#">MFA Debt (Line m1)</a>	21
<a href="#">MFA Debt on behalf of Municipalities (Line m1a)</a>	21
<a href="#">MFA Debt on behalf of Regional Services (Line m1b)</a>	21
<a href="#">Other (Line m2)</a>	21
<a href="#">Lease Liabilities (Line n)</a>	21
<a href="#">MFA Leases (Line n1)</a>	22
<a href="#">Other Leases (Line n2)</a>	22

<a href="#">Future Obligations (Line o)</a> .....	22
<a href="#">Landfill Closure/Post Closure Liability (Line o1)</a> .....	22
<a href="#">Future Payroll Obligations (Line o2)</a> .....	23
<a href="#">Other Liabilities (Line p)</a> .....	24
<a href="#">TOTAL LIABILITIES (Line q)</a> .....	24
<a href="#">Net Financial Assets (Liabilities) (Line r)</a> .....	24
<a href="#">5(a)(iii) - Physical Assets (Sch A2)</a> .....	25
<a href="#">Parkland (Line s)</a> .....	25
<a href="#">Other Land (Line t)</a> .....	25
<a href="#">Buildings (Line u)</a> .....	25
<a href="#">Equipment/Furniture/Vehicles (Line v)</a> .....	26
<a href="#">Engineering Structures (Line w)</a> .....	26
<a href="#">Water (Line w1)</a> .....	26
<a href="#">Sewer (Line w2)</a> .....	26
<a href="#">Drainage (Line w3)</a> .....	26
<a href="#">Roads (Line w4)</a> .....	26
<a href="#">Other (Line w5)</a> .....	27
<a href="#">Other Physical Assets (Line x)</a> .....	27
<a href="#">Total Physical Assets (Line y)</a> .....	27
<a href="#">NET TOTAL ASSETS (Liabilities) (Line z)</a> .....	27
<a href="#">5(a)(iv) - Equity (Sch A2)</a> .....	28
<a href="#">Equity in Physical Assets (Line aa)</a> .....	28
<a href="#">Equity in Financial Assets (Line ab)</a> .....	28
<a href="#">1) Financial Equity in Operating Fund (Line ab1)</a> .....	28
<a href="#">2) Financial Equity in Reserve Fund (Line ab2)</a> .....	28
<a href="#">3) Financial Equity in the Capital Fund (Line ab3)</a> .....	29
<a href="#">TOTAL EQUITY (Line ac)</a> .....	29
<a href="#">5(b) - Statement of Financial Activities and Financial Equity - Schedule A3 (Income Statement)</a> .....	30
<a href="#">5(b)(i) - Revenue (Schedule A3a)</a> .....	31
<a href="#">Payments in Place of Taxes (PIP) (Line a)</a> .....	31
<a href="#">Federal Government/Agencies PIP (Line a1)</a> .....	32
<a href="#">Provincial Government/Agencies PIP (Line a2)</a> .....	32
<a href="#">Other Payments in Place (Line a3)</a> .....	32
<a href="#">Service Charges/User Fees (and Other Sale of Services) (Line b)</a> .....	32
<a href="#">Water Services (Line b1)</a> .....	32
<a href="#">Sewer Services (Line b2)</a> .....	32
<a href="#">Solid Waste Services (Line b3)</a> .....	32
<a href="#">Parks, Recreation and Culture (Line b4)</a> .....	32
<a href="#">Transportation (Line b5)</a> .....	32
<a href="#">Other (Line b6)</a> .....	32
<a href="#">Transfers from Other Governments (Line c)</a> .....	33
<a href="#">Federal Government/Agencies Unconditional Transfers (Line c1)</a> .....	34
<a href="#">Federal Government/Agencies Conditional Transfers (Line c2)</a> .....	34
<a href="#">Provincial Government/Agencies Unconditional Transfers (Line c3)</a> .....	34
<a href="#">Provincial Government/Agencies Conditional Transfers (Line c4)</a> .....	34

<u>Electoral Area Requisitions (Line c4a)</u> .....	34
<u>Other Provincial Conditional Transfers (Line c4b)</u> .....	34
<u>Regional and Other External Transfers (Line c5)</u> .....	34
<u>Local Government Requisitions (Line c5a)</u> .....	35
<u>Member Municipality MFA Debt Payment (Line c5b)</u> .....	35
<u>Other Regional Transfers (Line c5c)</u> .....	35
<u>Investment Income (Line d)</u> .....	35
<u>Actuarial Adjustments on MFA Debt (Line d1)</u> .....	36
<u>Other Investment Income (Line d2)</u> .....	37
<u>Developer Contributions (Line e)</u> .....	37
<u>Development Cost Charges – DCCs (Line e1)</u> .....	37
<u>Other Developer Contributions (Line e2)</u> .....	37
<u>Gain or (Loss) on Disposition or Revaluation of Financial Assets (Line f)</u> .....	37
<u>Land held For Resale (Line f1)</u> .....	38
<u>Other Gains and Losses (Line f2)</u> .....	38
<u>Proceeds from Disposition of Physical Assets (Line g)</u> .....	38
<u>Book Value of Asset (Line g1)</u> .....	38
<u>Gain or Loss on Disposition (Line g2)</u> .....	38
<u>Other Revenue (Line h)</u> .....	39
<u>Total Revenue (Line i)</u> .....	39
<u>5(b)(ii) - Expenditures (Schedule A3b)</u> .....	40
<u>General Government (Line J)</u> .....	43
<u>General Administration Operations (Line j1a)</u> .....	43
<u>Legislative Operations (Line j1b)</u> .....	44
<u>Other General Government Operations (Line j1c)</u> .....	44
<u>Total General Government Operations (Line j1)</u> .....	44
<u>Interest/Foreign Exchange on Debt (General Government) (Line j2)</u> .....	44
<u>Capital Expenditures (General Government) (Line j3)</u> .....	44
<u>Protective Services (Line k)</u> .....	44
<u>Police Operations (Line k1a)</u> .....	44
<u>Fire Protection Operations (Line k1b)</u> .....	44
<u>Bylaw Enforcement Operations (Line k1c)</u> .....	45
<u>Other Protective Services Operations (Line k1d)</u> .....	45
<u>Total Protective Services Operations (Line k1)</u> .....	45
<u>Interest/Foreign Exchange on Debt (Protective Services) (Line k2)</u> .....	45
<u>Capital Expenditures (Protective Services) (Line k3)</u> .....	45
<u>Solid Waste Management/Recycling (Line l)</u> .....	46
<u>Operations (Solid Waste Management/Recycling) (Line l1)</u> .....	46
<u>Interest/Foreign Exchange on Debt (Solid Waste Management) (Line l2)</u> .....	46
<u>Capital Expenditures (Solid Waste Management) (Line l3)</u> .....	46
<u>Health, Social Services and Housing (Line m)</u> .....	47
<u>Operations (Health, Social Services and Housing) (Line m1)</u> .....	47
<u>Interest/Foreign Exchange on Debt (Health, Social Services and Housing) (Line m2)</u> .....	47
<u>Capital Expenditures (Health, Social Services and Housing) (Line m3)</u> .....	47
<u>Development Services (Line n)</u> .....	47

<u>Operations (Development Services) (Line n1)</u> .....	47
<u>Interest/Foreign Exchange on Debt (Development Services) (Line n2)</u> .....	47
<u>Capital Expenditures (Development Services) (Line n3)</u> .....	48
<u>Transportation and Transit Services (Line o)</u> .....	48
<u>Operations (Transportation and Transit) Line (o1)</u> .....	48
<u>Interest/Foreign Exchange on Debt (Transportation and Transit) (Line o2)</u> .....	48
<u>Capital Expenditures (Transportation and Transit) (Line o3)</u> .....	48
<u>Parks, Recreation and Culture (Line p)</u> .....	48
<u>Operations (Parks, Recreation and Culture) (Line p1)</u> .....	48
<u>Interest/Foreign Exchange on Debt (Parks, Rec and Culture) (Line p2)</u> .....	49
<u>Capital Expenditures (Parks, Recreation and Culture) (Line p3)</u> .....	49
<u>Water Services (Line q)</u> .....	49
<u>Operations (Water Services) (Line q1)</u> .....	49
<u>Interest/Foreign Exchange on Debt (Water Services) (Line q2)</u> .....	49
<u>Capital Expenditures (Water Services) (Line q3)</u> .....	50
<u>Sewer Services (Line r)</u> .....	50
<u>Operations (Sewer Services) (Line r1)</u> .....	50
<u>Interest/Foreign Exchange on Debt (Sewer Services) (Line r2)</u> .....	50
<u>Capital Expenditures (Sewer Services) (Line r3)</u> .....	50
<u>Other Services (Line s)</u> .....	50
<u>Operations (Other Services) (Line s1)</u> .....	50
<u>Interest/Foreign Exchange on Debt (Other Services) (Line s2)</u> .....	50
<u>Capital Expenditures (Other Services) (Line s3)</u> .....	51
<u>Debt Payments for Member Municipalities (Line t1)</u> .....	51
<u>Other Adjustments (Line t2)</u> .....	51
<u>Total Expenditures (Line u)</u> .....	51
<u>Net Operating Revenue (Line v)</u> .....	51
5(b)(iii) - <u>Financial Equity - Fund Balances (Schedule A3c)</u> .....	52
<u>Net Operating Revenue (Line v)</u> .....	52
<u>Debt Principal Payment (Line w)</u> .....	52
<u>Actuarial Adjustments (Line x)</u> .....	53
<u>Proceeds from the Issue of Debt (Line y)</u> .....	53
<u>Other Adjustments (Line z)</u> .....	53
<u>Changes in Fund Balances (Line aa)</u> .....	54
<u>Breakdown of Fund Balances by Financial Equity Category (Line ab)</u> .....	54
<u>Revised Financial Equity Balance at the Start of the Year (Line ac)</u> .....	54
<u>Financial Equity Balances at the Start of the Year (Line ac1)</u> .....	54
<u>Prior Period Adjustments (Line ac2)</u> .....	54
<u>Financial Equity Balance at End of Year (Line ad)</u> .....	55
5(c) – <u>Statement of Surplus &amp; Reserve Fund Balance (Schedule A4)</u> .....	56
5(d) – <u>Statement of Equity in Physical Assets</u> .....	57
<u>Capital Expenditures (Line a)</u> .....	57
<u>Less: Proceeds from Issue of Debt (Line b)</u> .....	57
<u>Plus: Principal Payments and Actuarial Adjustments (Line c)</u> .....	57
<u>Less: Book Value of Disposed Physical Assets (Line d)</u> .....	58
<u>Plus: Other Capital Adjustments (Line e)</u> .....	58

<a href="#">Change in Physical Equity (Line f)</a> .....	58
<a href="#">Equity in Physical Assets at the Start of the Year (Line g)</a> .....	58
<a href="#">Prior Period Adjustments (Line h)</a> .....	58
<a href="#">Revised Physical Equity Balance at the Start of the Year (Line i)</a> .....	59
<a href="#">Equity in Physical Assets at End of Year (Line j)</a> .....	59
<a href="#">6. Debt Schedules</a> .....	60
<a href="#">6 (a) Analysis of Authorized Debenture Debt – Schedule B1</a> .....	60
<a href="#">Total Debt Issued (Line a)</a> .....	60
<a href="#">Unmatured Long Term Debenture Debt Issued by the Local Government (Line a1)</a> .....	60
<a href="#">Unmatured Long Term Debenture Debt Issued by the MFA for RD (Line a2)</a> ...	60
<a href="#">Unmatured Long Term Debenture Debt Issued by the MFA for Member Municipalities (Line a3)</a> .....	60
<a href="#">Short Term Capital Borrowing (STCB) – Amount Issued (Line a4)</a> .....	61
<a href="#">Total Debt Authorized but Unissued (Line b)</a> .....	61
<a href="#">Authorized but Unissued Long Term Debt for RD (Line b1)</a> .....	61
<a href="#">Authorized but Unissued Long Term Debt for Member Municipalities (Line b2)</a> .....	61
<a href="#">Authorized but Unissued Short Term Capital Borrowing – STCB (Line b3)</a> .....	61
<a href="#">Total Debt (Line c)</a> .....	61
<a href="#">7. Statistics Schedules</a> .....	62
<a href="#">7(a) Schedule C1 – General Statistics</a> .....	62
<a href="#">A. Development Information</a> .....	62
<a href="#">1. Number of Building Permits Issued in Year</a> .....	62
<a href="#">2. Total Building Permit Value</a> .....	62
<a href="#">3. Total Building Permit Construction Value</a> .....	62
<a href="#">4. Number of Business Licenses Issued in Year</a> .....	62
<a href="#">B. Number of Fire Hydrants</a> .....	62
<a href="#">C. Distance of Pipes</a> .....	63
<a href="#">D. Water Systems</a> .....	63
<a href="#">Number of Systems</a> .....	63
<a href="#">Level of Treatment</a> .....	63
<a href="#">% Water Receiving Disinfection</a> .....	63
<a href="#">% Water Receiving Additional Treatment</a> .....	64
<a href="#">Number of Intakes and Wells</a> .....	64
<a href="#">Number of Service Connections –</a> .....	64
<a href="#">Residential</a> .....	64
<a href="#">Commercial and Other</a> .....	64
<a href="#">Industrial/Agricultural</a> .....	64
<a href="#">Average Daily Flow (m<sup>3</sup>/day)</a> .....	64
<a href="#">Residential</a> .....	64
<a href="#">Commercial and Other</a> .....	64
<a href="#">Industrial/Agricultural</a> .....	64
<a href="#">% of Surface Water from a Combined System</a> .....	65
<a href="#">% of Total Water that Comes from Surface and Ground Sources</a> .....	65
<a href="#">E. Sewer Systems</a> .....	65

<a href="#"><u>Number of Systems</u></a> .....	66
<a href="#"><u>% of Final Effluent Receiving Disinfection</u></a> .....	66
<a href="#"><u>Discharge/Outfall</u></a> .....	66
<a href="#"><u>Number of Service Connections –</u></a> .....	66
<a href="#"><u>Residential</u></a> .....	66
<a href="#"><u>Commercial and Other</u></a> .....	66
<a href="#"><u>Industrial/Agricultural</u></a> .....	66
<a href="#"><u>Average Daily Flow (m<sup>3</sup>/day)</u></a> .....	67
<a href="#"><u>Liquid Waste Management Plan</u></a> .....	67
<a href="#"><u>APPENDIX A – LIBRARIES AND THE LOCAL GOVERNMENT REPORTING</u></a>	
<a href="#"><u>ENTITY</u></a> .....	68
<a href="#"><u>Index</u></a> .....	72
<a href="#"><u>Contact Information</u></a> .....	76

## 1. Introduction

The Local Government Data Entry (LGDE) system is a program designed to collect annual financial and statistical data from local governments throughout British Columbia. This information is stored in a central database and is used to generate both standard and ad hoc reports for local governments, Ministry staff, the Municipal Finance Authority and other users. The data collected can be used to financially analyze a single local government over a number of years or to compare several local governments. Summary reports using the central database are published on the Ministry web site.

The LGDE forms are to be prepared in accordance with principles and standards set out in this manual. Both the forms and the manual are available from the Ministry on diskette or on the Internet (<http://www.mcaaws.gov.bc.ca/lgd/infra/munfin/download.html>). Should you have any questions or comments please contact Ministry staff at:

- Phone: (250) 387-4060
- E-mail: [lgde@gems5.gov.bc.ca](mailto:lgde@gems5.gov.bc.ca)

## 2. General Reporting Requirements for Local Governments in BC

### Statutory Requirements

The fiscal year for local governments is the calendar year. Financial statements must be prepared annually and presented to council for acceptance (S.164(1)(2) *Community Charter*). Sections 167(4) of the *Community Charter* and 814 of the *Local Government Act* require all local governments in British Columbia to submit annual financial information to the Inspector of Municipalities by May 15 of the year following the end of the fiscal year.

### PSAB Requirements

Sections 167(2) of the *Community Charter* and 814 of the *Local Government Act* require all local governments to prepare their annual audited financial statements in accordance with generally accepted accounting principles (GAAP) for local governments. GAAP consists of the recommendations and guidance with respect to matters of accounting in the public sector as set out by the Public Sector Accounting Board (PSAB), which is authorized by the Canadian Institute of Chartered Accountants (CICA). Throughout this manual, specific sections of PSAB are referenced through the use of “PS” and the section number.

Copies of the PSAB handbook may be obtained from the CICA:

- Phone: 1-800-268-3793
- Web Address: [www.cica.ca](http://www.cica.ca)

### Move To Consolidated Financial Reporting

PSAB requires a summarized financial presentation of all areas of operation for a local government. Local governments in British Columbia have been required to prepare their audited financial statements in accordance with GAAP for local governments (PSAB recommendations) for accounting periods starting on or after January 1, 2000, however, financial information submitted through the LGDE system was still based on the old fund accounting method. In order to bring greater consistency to financial reporting, the Ministry has revised the LGDE program to better reflect PSAB financial presentation.

While, the definitions and accounting policies used in LGDE will generally be the same as those recommended by PSAB, LGDE **is not** a financial statement and not all PSAB recommendations may apply. Some additional data is requested to reflect provincial interests and priorities.

### 3. Financial Reporting Entities

Detailed financial reporting entity information may be found in PS 1300.

LGDE should include the financial information of the local government plus any organizations that are accountable to the local government for the administration of their financial affairs **AND** are owned or controlled by the local government. These may include bodies such as boards and committees but do not include government business enterprises or trust funds.

- **Accountability** – an organization is required to answer to a local government on how it discharges its responsibilities either directly to council or indirectly to a committee or senior local government official.
- **Ownership** – the local government holds title to either a majority of the organization's voting shares or the organization's net assets.
- **Control** – the local government can regulate the organization's revenue, expenditure and resource allocation policies; or appoint the majority of the organization's board.

Please refer to **Appendix A** at the end of this Help Manual. This appendix gives an example of the PSAB treatment of different types of libraries, relative to the local government reporting entity, based on the above criteria.

#### **Government Business Enterprises**

A Government Business Enterprise has the following characteristics:

- it is a separate legal entity
- it has the power to contract in its own name
- it can sue or be sued
- it has financial and operating authority to carry on a business
- it sells goods or services to (and receives revenue from) parties other than the local government or its organizations
- the revenue received from outside sales is sufficient to maintain operations and meet liabilities.

In the case of a government business enterprise, the modified equity method of accounting should be applied. (PS 1300.35)

#### **Trust Funds**

Trusts are property conveyed or assigned to the local government and administered by agreement or statute. Trusts are not owned by the local government.

Trusts administered by a local government should be excluded from the reporting entity (PS 1300.40).

## 4. General Structure of the LGDE Forms

The LGDE program is divided into three principal areas:

- Part A – Financial Data
- Part B – Debt & Other Commitments
- Part C – Statistics & Other Information

### Part A – Financial Data

The financial data is based on PSAB presentation.

- **Schedule A1** – Treasure/Auditor Certification – This is certification that the LGDE forms are prepared in accordance with GAAP for local governments and are in agreement with the accounting records. The forms are to be signed by the auditor if the auditor prepared them.
- **Schedule A2** – Statement of Financial Position – This is a statement of the assets, liabilities and equity of the local government.
- **Schedule A3** – Statement of Financial Activities – Income Statement
  - **Schedule A3a** – Statement of Revenue
  - **Schedule A3b** – Statement of Expenditures
  - **Schedule A3c** – Statement of Fund balances – reconciles to the financial equity position in Schedule A2.
- **Schedule A4** – Statement of Surplus & Reserve Fund Balance
- **Schedule A5** – Statement of Equity in Physical Assets – This statement records the changes in equity in physical assets over the reporting year.

Unlike PSAB reporting requirements, there is no **Statement of Changes in Financial Position** in the LGDE forms. The Statement of Changes in Financial Position reports the changes in a local government's cash position during an accounting period (PS 1800.50) resulting from operating, investment and financing activities. This statement is not required because the Province is less concerned with the actual use of cash in a given reporting period and more concerned with the overall liquidity of the local government (as can be obtained from the Statement of Financial Position – Sch A2).

### Part B – Debt and Other Commitments

This part of LGDE tracks the total debt level of a local government plus any other long-term commitments that may not be included in the Statement of Financial Position.

- **Schedule B1** – Authorized Debenture Debt & Short Term Capital Borrowing

### Part C – Statistics and Other Information

- **Schedule C1** – General Statistics – non-financial statistics of the local government.

These statistics are used to assess key non-financial indicators of the local government. Over the next few years this section may change with a greater emphasis on benchmarking and reporting of local government accomplishments as required under the *Community Charter*.

**Error Checks & Other Schedules not included Above**

In addition to the schedules listed above, there is one other schedule not shown in LGDE (because it requires no input); this schedule is **D1 – Reconciliation Schedule and Error Check**.

It may be viewed through the print mode.

- Go to the “File” menu
- Select “Print”
- Select Schedule D1

Schedule D1 is especially important because it identifies any area where LGDE is out of balance.

## 5. Financial Schedules

### **5(a) – Statement of Financial Position Schedule A2 (PS-1800)**

The Statement of Financial Position (Balance Sheet) provides an assessment of the assets, liabilities and equity fund balances of a local government at the end of the accounting period. The difference between financial assets and liabilities is a strong measure of the financial condition of a local government (i.e. its ability to meet long term commitments).

The Statement of Financial Position should also provide information on physical assets. Such information is helpful in assessing a government's debt position and future operating/capital requirements.

Structure of the Statement of Financial Position is as follows:

- A) Financial Assets
- B) Liabilities
- C) Net Financial Assets = A-B
- D) Physical Assets
- E) Net Total Assets = C+D
- F) Equity in Physical Assets
- G) Financial Equity
- H) Total Equity = F+G

Net Total Assets (E) must equal Total Equity (H).

## **5(a)(i). Financial Assets**

Financial assets are those assets that can provide resources to discharge existing liabilities or finance future operations (PS 1800.15). Essentially, financial assets are either cash or other assets that can be converted to cash on relatively short notice. Financial assets do not include equipment/supply inventories, prepaid expenses or physical assets.

### **LGDE Line Definitions**

#### **Cash and Investments (Line a)**

This includes cash and all investments included in section 183 of the *Community Charter* --- cross referenced from section 814(2) *Local Government Act*.

If the investments mature within the next fiscal year, they are treated as temporary investments (PS 3030) and valued at the lower of cost or market value.

If the investments are longer than one year, they are treated as portfolio investments (PS 3040) and valued at the lower of cost or permanent impairment. Permanent impairment is defined in PS 3040.11.

Disclosure of investments includes any premium or discount arising from the purchase of the securities. Investment premiums and discounts should be amortized proportionately over the term of the respective investments.

All other investments (not included in section 183) are grouped into “Other Financial Investments” (Line e).

#### **Accounts Receivable (Line b)**

These are trade receivables from other parties relating to the sale of local government goods or services (including current year’s fees and charges receivable). These receivables are disclosed in accordance with section 3020 of the CICA Handbook. For governments, this will typically include outstanding balances of conditional or unconditional transfers (grants), subsidies, and advances which are due or accrued at the end of the reporting year. The amounts disclosed are shown net of any allowances for doubtful accounts and may include any appropriate fines.

Accounts Receivable is broken down into two broad categories:

##### **Receivables from Governments (Line b1)**

Governments are defined as “Public Authorities” under section 5 of the *Local Government Act*. (Including government agencies, other local government jurisdictions, school & health jurisdictions, etc...)

##### **Receivables from Federal/Provincial Government and Agencies (Line b1a)**

These are trade receivables from the federal or provincial government (or related agencies and crown corporations).

**Receivables from Local Government and Agencies (Line b1b)**

These are receivables owed from other government entities that are not provincial or federal (this may include municipalities, improvement districts, first nations, school boards and health regions).

**Receivables from Non-Governments (Line b2)**

Include all accounts receivable not relating to a government body.

**MFA Deposit Notes (Line c)**

These are notes held by the local government and act as security against the MFA Debt Reserve (established under Section 15 of the *Municipal Finance Authority Act*). This amount must equal the amount in the MFA Debt Reserve Fund (Schedule A2 – Line k1).

**For Member Municipalities (Line c1)**

This is the value of notes held as security against the MFA debt reserve for borrowing done on behalf of member municipalities (in accordance with sections 15(2)(b)&(3) of the *Municipal Finance Authority Act*). This amount should equal the balance in the MFA Debt Reserve Fund for Member Municipalities (Schedule A2 – Line k1a).

**For RD Services (Line c2)**

This is the value of notes held as security against the MFA debt reserve for direct regional district service borrowing (in accordance with sections 15(2)(a)&(3) of the *Municipal Finance Authority Act*). This amount should equal the balance in the MFA Debt Reserve Fund for RD Services (Schedule A2 – Line k1b).

**Loans Receivable (Line d)**

A loan receivable is defined under PS 3050.03 to be a, “financial asset of the government (the lender) represented by a promise by a borrower to repay a specific amount, at a specific time, or on demand, usually [but not always] with interest.” Loans receivable refer to both loans and advances.

The loans receivable are valued at the lower of cost or net recoverable value. Net recoverable value refers to the value of the loan (the current balance of loan, including accrued interest) net of any valuation allowances (valuation factors are listed in PS 3050.33 to .37).

Loans receivable listed under PS 3050.09 (including loans with forgiveness conditions and concessionary terms) should not be included as loans receivable. For more information please review PS 3050.10 to .25. Such loans should be treated as grants and flowed through the Statement of Financial Activities as an expenditure.

**Loans Receivable from Municipalities for MFA Debt (Line d1)**

This is the outstanding balance of all resolutions passed by member municipalities in order to secure regional district borrowing from the MFA under sections 182 of the *Community Charter* and 824 of the *Local Government Act*. This amount should equal the balance of long term debt on behalf of member municipalities (Schedule A2 – Line m1a). This amount is drawn down annually by the value of the principal payments and actuarial adjustments on the debt of the member municipalities.

**Other Loans Receivable (Line d2)**

These are loans issued by the regional district as a form of assistance (under section 185(1)(b) of the *Local Government Act*). These loans may be extended to not-for-profit organizations and public private partnerships as well as for heritage conservation projects (under Part 5, Division 4 of the *Local Government Act*).

**Other Financial Investments (Line e)**

All financial investments not included in Schedule A2-Line a should be included here. These are investments that are not readily convertible to cash, including all portfolio investments (PS 3040) not included in section 183 of the *Community Charter* (cross-referenced from section 814 of the *Local Government Act*) **plus** investments in government business enterprises (PS 3070) and government business partnerships (PS 3060.32).

Portfolio investments (PS 3040) are valued at the lower of cost or permanent impairment. Permanent impairment is defined in PS 3040.11.

Government business enterprises and government business partnerships are valued using the modified equity method under PS 3070.01 & PS 3060.11 (respectively). Such investments are reported at cost plus the local government's share of the business enterprise's (or partnership's) annual net income, less dividends received.

Disclosure of investments includes any premium or discount arising from the purchase of the securities. Investment premiums and discounts should be amortized proportionately over the term of the respective investments.

**Property Held for Resale (Line f)**

Property Held for Resale should include inventories of goods, land and improvements intended for sale to outside organizations or individuals. The property should be valued at the lower of cost or net realizable value. Under PS 1800.15, these assets are classified as financial assets because they are convertible to cash.

**Items not included in "Property Held for Resale"**

- **Goods** (such as supply inventories) that are not intended for outside acquisition should not be included as a financial asset; instead these should flow through the Statement of Financial Activities as expenditures.

- **Land and improvements** not intended for sale to outside parties should be classified as “Physical Assets” in the Statement of Financial Position.

**Other Financial Assets (Line g)**

These include any financial asset balances (as defined under PS 1800.15) that are not included in the financial asset categories previously listed. If the balance in this category exceeds 5% of the value of the total financial assets (Schedule A2 – Line h), then the Ministry of Community, Aboriginal and Women’s Services reserves the right to request additional information as to the makeup of the “Other Financial Assets” balance.

**Total Financial Assets (Line h)**

This is the sum of Lines a to g and will be filled in for you.

**5(a)(ii) - Liabilities (Sch A2)****Temporary Borrowing (Line i)**

This includes Revenue Anticipation Borrowing (under section 821 of the *Local Government Act*) and amounts payable for borrowings from banks or other sources for the purpose of temporary financing (generally with a term of one year or less). This should **not** include either short term capital borrowing (S. 822) or interim financing for capital projects which is classified as long term debt on Line m of this schedule.

**Accounts Payable and Accrued Liabilities (Line j)**

An **account payable** is a debt for goods or services acquired in the ordinary course of business.

An **accrued liability** (or accrued expense) is an item of expense that has been incurred over the previous reporting period but has not yet been recorded or paid. This includes, but is not limited to, accrued interest on borrowing, rent, grants, and wages.

**Government Payables and Accrued Liabilities (Line j1)**

This includes balances payable to governments, government agencies (federal, provincial, or municipal), or other public authorities listed under section 5 of the *Local Government Act*, for the purchase of goods or services used by the regional district or the citizens at large. Included are outstanding balances of conditional and unconditional grants, subsidies and advances which are due or accrued at the end of the reporting period.

**Non-Government Payables and Accrued Liabilities (Line j2)**

This includes all accounts payable and accrued liabilities not owed to a government, government agency or other public authority.

**Restricted Revenue (Line k)**

These are assets and/or revenues that are subject to restrictions through either legislation or agreement. These restrictions limit the use of the assets or revenues to specific purposes not relating the local government's general operating obligations. The restrictions are usually external to the local government (but may also be internal). PS 3100 provides more detail on Restricted Assets and Revenues. This does **not** include most reserve funds established under Section 814 of the *Local Government Act*, which are considered a form of equity.

Restricted cash inflows should not be recognized as revenue until the period in which the resources are used for their specified purposes. A cash inflow received before this criterion has been met should be reported as a liability.

**MFA Debt Reserves (Line k1)**

These debt reserves are as defined under Section 15 of the *Municipal Finance Authority Act*. Their purpose is to provide for any potential MFA shortfalls in

payments or sinking fund contributions. The funds are usually refunded to local governments upon retirement of debenture debt.

This line must equal the total of MFA Deposit Notes (Line c – Schedule A2).

**MFA Debt Reserves for Member Municipalities (Line k1a)**

This is the value of the MFA debt reserve for borrowing done on behalf of member municipalities (in accordance with section 824 of the *Local Government Act* and sections 15(2)(b)&(3) of the *Municipal Finance Authority Act*). This amount should equal the balance in the MFA Deposit Notes for Member Municipalities (Schedule A2 – Line c1).

**MFA Debt Reserves for RD Services (Line k1b)**

This is the value of the MFA debt reserve for direct regional district service borrowing (in accordance with sections 15(2)(a)&(3) of the *Municipal Finance Authority Act*). This amount should equal the balance in the MFA Deposit Notes for RD Services (Schedule A2 – Line c2).

**Development Cost Charges (Total Line k2)**

**Water (Line k2a), Sewer (Line k2b), Drainage (Line k2c), Roads (Line k2d), Parks (Line k2e)**

Money in development cost charge reserve funds, together with interest on it, may be used only as set out in Section 935(3) of the *Local Government Act*. The development cost charge (DCC) must be deposited by the local government in a separate special DCC reserve fund established for each purpose for which the local government imposes the charge.

**Developer Cash Contribution in Lieu of Parkland (Line k3)**

Section 941 of the *Local Government Act* provides that an owner of land that is proposed for subdivision must either provide parkland or money equal to the market value of the parkland that would have been required. This money must be accounted for separately.

**Other Restricted Revenue (Line k4)**

This includes any other restricted revenue sources not listed above in lines k1 to k3.

**Deferred Revenue (Line l)**

"Deferred Revenues" are monies received prior to a transaction or event that gives rise to the revenues (e.g. government transfers received prior to revenue recognition criteria being met). An example of deferred revenue is a prepayment by a resident for a service area borrowing [under Sections 805.1(1)(b) and 806.1(2)(a)]. Such deferred revenue (for local improvements) should be amortized and reported as taxation revenue over the remaining term of the borrowing.

**Long Term Debt (Line m)**

"Long Term Debt" is a long term obligation of the regional district resulting through borrowing from an external party with a repayment term of more than one year. This can include, but is not limited to, debenture debt (issued from the MFA – under Sections 824 and 825 of the *Local Government Act*), serial and mortgage loans (under S. 820), short term capital borrowing (under S. 822) and interim financing of capital projects (under S. 819). All such debt is fully recognized in the Statement of Financial Position. This amount does **not** include long term obligations under leasing agreements --- for more information on leases please see Line n, Schedule A2.

**Some Features of Long Term Debt & Their Accounting Treatment**

**a) Third Party Borrowing** - If a local government borrows or issues debt on behalf of a third party, the borrowing is recognized in the Statement of Financial Position. Such third party borrowing includes, but is not limited to, borrowing for a government business enterprise, borrowing under a gas franchise agreement, and assistance. (See PS 3230.05)

**b) Sinking Funds** – In some unusual cases a regional district may have some old debenture debt that was not issued through the MFA; in these cases, there is the possibility that the regional district holds sinking funds. These are funds established specifically to retire debenture debt upon maturity. If a regional district has sinking fund debt, the debt should be valued at the gross amount of the long-term debt issued (Line m2, Schedule A2) and the amount of the sinking fund assets should be disclosed as restricted revenue (under Line k4 in schedule A2). See PS 3230.03.

This does **not** include sinking funds held by the MFA.

**c) Guarantees** – A loan guarantee is a promise to pay all or part of the principal and/or interest on a debt obligation in the event of a default by the borrower. (PS 3310.03)

Such guarantees are permissible if secured by either a bylaw or agreement (under section 185(1)(c) of the *Local Government Act*). These guarantees are treated as contingent liabilities in accordance with PS 3310 & Section 3290 of the CICA Handbook.

As contingencies, such liabilities are not recognized in the Statement of Financial Position unless the liability is estimatable and likely to occur.

PS 3230 & 3310 provide more information on the treatment of Long Term Debt and Guarantees.

**MFA Debt (Line m1)**

Any long term debt, as defined above, issued through the Municipal Finance Authority under their Act. Please see special treatment of MFA Actuarial Adjustments (under section 5(b)(ii) of this Help Manual).

**MFA Debt on behalf of Municipalities (Line m1a)**

This is the outstanding balance of all debt issued by the regional district on behalf of member municipalities under section 824 of the *Local Government Act*. This amount should equal the balance of loans receivable from member municipalities (Schedule A2 – Line d1). This amount is drawn down annually by the value of the principal payments and actuarial adjustments on the debt of the member municipalities.

**MFA Debt on behalf of Regional Services (Line m1b)**

This is the outstanding balance of all debt issued by the regional district for regional services under section 819 of the *Local Government Act*. This amount is drawn down annually by the value of the principal payments and actuarial adjustments on the debt relating to these services.

**Other (Line m2)**

All other long term debt (as defined above), not issued through the MFA (e.g. financing through a commercial financial institution or a government program).

**Lease Liabilities (Line n)**

Leases are included as “liabilities under agreement” as set out in Section 175 of the *Community Charter* cross-referenced from section 819 of the *Local Government Act*. There are two types of leases, Capital and Operating. A **capital lease** is a lease agreement which transfers substantially all of the benefits and risks of asset ownership to the lessee (i.e. the local government). This is contrasted with an **operating lease** which involves no substantial transfer of risk and reward (e.g. a standard rental agreement).

Capital leases are recognized in the Statement of Financial Position; operating lease payments are recognized as expenditures in the Statement of Financial Activities.

As previously mentioned, a lease is deemed to be capital if there is a substantial transfer of benefits and risks onto the local government. Substantial transfer of benefits and risks is deemed to have occurred if any **one** of the following criteria is met.

- There is a purchase agreement at the end of the lease (or a bargain purchase offer or fair market value offer);
- The lease term is at least 75% of the economic life of the asset;
- The present value of lease payments is at least 90% of the fair market value of the leased asset.

Even if the lease does not meet any one of the above three criteria, the lease may still be classified as capital if there is a deemed transfer of risk resulting from any combination of the following:

- The leased property is deemed to provide an essential service;

- The local government contributed significant financial assistance to the cost of the asset;
- The local government has significant control over the idle capacity of the asset;
- The local government retains control or ownership of the land where the asset is located;
- The local government shares in any gains or losses resulting from the lease;
- The local government is responsible for maintenance and/or insurance of the asset;
- The local government is responsible for any cost overruns relating to the leased asset.

PSG-2 and PSG-3 of the Public Sector Accounting Handbook contain information on defining leased tangible capital assets, and sale-leaseback transactions.

**MFA Leases (Line n1)**

All capital leases currently negotiated through the MFA.

**Other Leases (Line n2)**

These are any other capital leases undertaken by the regional district.

**Future Obligations (Line o)**

Refers to future landfill and employee obligations.

**Landfill Closure/Post Closure Liability (Line o1)**

If the regional district operates a solid waste landfill site, the liability associated with the closure and post closure of the site should be recognized in the Statement of Financial Position. The liability to be recognized should be based on the following formula:

$$[A \times (B/C)] - D$$

**Where:**

A = The present value of the estimated total closure and post closure expenditures for landfill site

B = Total used capacity of the landfill

C = Total capacity of the landfill site (both used and unused)

D = Total closure & post closure liabilities/expenditures recognized to date.

Closure expenditures include the construction of facilities for:

- Drainage
- Leachate
- Water quality monitoring
- Gas recovery and monitoring

Post closure expenditures are associated with the operating, maintenance and monitoring costs of the closed facilities.

For more information on closure and post closure liabilities, please see PS 3270.

### **Future Payroll Obligations (Line 02)**

This line item deals with those operating areas outlined in Sections PS 1800.25, PS 3250 and PS 3255: post-employment benefits, compensated absences, termination benefits and retirement benefits.

#### **Pension Costs and Obligations**

For employees covered under the Municipal Pension Plan (or any other plan covered under the *BC Public Sector Pension Plans Act*), there is no requirement to record a pension liability in the Statement of Financial Position. This is because the pension plans are pooled and administered by a party external to the regional district as either a multiemployer plan or multiple-employer plan (under PS 3250.105).

If the regional district administers its own **defined benefit plan**, a pension liability must be recognized in accordance with PS 3250.015 to PS 3250.094.

If the regional district administers its own **defined contribution plan**, the annual contributions should be recognized in the Statement of Financial Activities. A liability is only recognized if there is a shortfall between what the regional district is required to contribute under the plan and what it actually contributed in the reporting period.

Accounting guideline (PSG-1) provides further guidance in reporting for employee pension obligations for local governments.

#### **Payroll Liabilities**

This provides the general principles governing the accounting for post-employment benefits, compensated absences and termination benefits for local governments.

**Post employment benefits** are benefits paid after employment but before retirement of employees including long term disability, short term disability, Workers' Compensation, severance benefits, salary continuation, supplemental unemployment benefits, job training & counselling, and continued health and insurance benefits. (PS 3255.02a)

If the above benefits are either accumulated or vested benefits (as defined under PS 3255.12 & .13) the local government should recognize a liability for each year of employee service under the plan using methodology under PS 3250. However, if the benefits are not accumulated or vested, the local government should only

recognize a liability when an event occurs that obligates the local government to pay out the benefits.

**Compensated absences** are paid benefits for employee absences including: parental leave, accumulated sick days, sabbaticals, and unrestricted time off for previous service. (PS 3255.02b)

If the above benefits are either accumulated or vested benefits (as defined under PS 3255.12 & .13) the local government should recognize a liability for each year of employee service under the plan using methodology under PS 3250. However, if the benefits are not accumulated or vested, the local government should only recognize a liability when an event occurs that obligates the local government to pay out the benefits.

**Termination benefits** are contractual (and some noncontractual) benefits required under downsizing or termination arrangements. The noncontractual termination benefits are only those that are offered over a short period of time (less than one year) in exchange for an employee's voluntary or involuntary termination. (PS 3255.02c)

A local government should recognize a liability for termination benefits only when the local government is committed to terminate the employment of an individual or group either voluntarily or involuntarily.

**Other Liabilities (Line p)**

"Other" liabilities should report balances that are not included in any of the previously listed liability categories. This may include the total amount of excess collections on requisitioned taxes which must be applied to requisitions in the year following the reporting year.

**TOTAL LIABILITIES (Line q)**

The sum of all liability categories (Line i to Line p).

**Net Financial Assets (Liabilities) (Line r)**

Total financial assets less total liabilities (Line h minus Line q).

### **5(a)(iii) - Physical Assets (Sch A2)**

Physical Assets are discussed in PS 3150 (Tangible Capital Assets). This section of PSAB only applies to federal and provincial governments; however, it does provide a good framework for local government treatment of physical assets. As a result, the province recommends applying PS 3150 to the treatment of physical assets (with the exception of amortization, which is still **not** recommended in accordance with Section B of the Municipal Manual --- this section of the manual will be reviewed in the near future). A Physical Asset is a property to be used on a continuing basis for a local purpose and has a useful life of greater than one year. Such assets are not intended for sale in the ordinary course of operations.

**Valuation** - Physical assets are generally reported at cost. Government transfers for the acquisition of real property should be reported as capital revenue. Physical assets that are donated should be reported at estimated fair market value at the time of donation.

**Capital Leases** – All land and improvements acquired through the capital leasing process (PSAB Guideline number 2) should be included in physical assets.

**Disposition** - Disposal of physical assets may occur by sale, destruction, loss or abandonment.

**Write Downs** - When a physical 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. Such a write down should not be reversed.

Any physical assets (including works in progress) should be classified in the appropriate categories below.

#### **Parkland (Line s)**

This is land held or dedicated for green space or park usage, playing fields and public squares.

#### **Other Land (Line t)**

Improved or unimproved land owned by the local government (including rights-of-way and other easements). Do not include land held for resale because it is a financial asset and should be included in Schedule A2 - Line f.

#### **Buildings (Line u)**

Fixed structures owned by the local government and designed to house people and/or equipment including (but not limited to): offices, garages, fire stations, warehouses and portable buildings.

**Equipment/Furniture/Vehicles (Line v)**

These are generally movable assets used in performing local government work, including motors, control devices, appliances, furniture and work & transit vehicles. Such items should be inventoried each year.

Do not include hand or portable tools, plus any equipment that has an immaterial value or short useful life. Such equipment and tools are expensed through the Statement of Financial Activities in the year acquired.

**Engineering Structures (Line w)**

These are fixed local government structures (other than buildings) used in performing local government works, including: road systems and water, sewage, and drainage lines.

**Water (Line w1)**

Water works systems are systems for water supply including source, treatment, storage, transmission and distribution facilities, where water is furnished or offered for domestic/commercial purposes (as defined under Section 1 of the BC Safe Drinking Water Regulation --- BC Reg 120/2001). These include (but are not limited to) mains, distribution lines, intakes, wells, reservoirs, pressure reducing valves (PRVs), pumphouses and treatment and disinfection facilities.

**Sewer (Line w2)**

A sewage system means any facility or work that gathers, treats, transports, stores, utilizes or discharges sewage or reclaimed water (as defined under Section 1 of the *Waste Management Act* Municipal Sewage Regulation --- BC Reg 129/99). These include (but are not limited to) mains, collector lines, pumps, outfalls and facilities for storage, treatment, reuse/recycling and disposal.

This may also include storm sewer infrastructure if it is not separate from the sanitary sewer system.

**Drainage (Line w3)**

These include dikes, ditches, pumps, and watercourses as set out in Sections 540 and 541 of the *Local Government Act*, or any other works related to drainage of surface water.

If such works cannot be segregated from existing sewer or transportation works, they should be left in those categories and their value recognized in that fashion. This category may be revisited at a later date dependent on the results of the data collection.

**Roads (Line w4)**

Unlike municipalities, regional districts are not responsible for rural roads. Therefore, this number should equal zero.

**Other (Line w5)**

Any other engineered structure not included in the previous categories; this may include fences and other security systems.

**Other Physical Assets (Line x)**

This category covers any items not included in the above descriptions but fitting the general requirements of tangible capital assets. This may also include such intangible capital assets as goodwill.

**Total Physical Assets (Line y)**

The summation of all physical assets (Lines s through x).

**NET TOTAL ASSETS (Liabilities) (Line z)**

The sum of the Net Financial Assets (Line r) and the Total Physical Assets (Line y). Must equal total equity (Schedule A2 - Line ac).

### **5(a)(iv) - Equity (Sch A2)**

The total equity position is equal to the Net Total Assets of a regional district [Net Financial Assets (Line r) plus Total Physical Assets (Line y)]. The equity position of a local government is broken down into two broad categories **Equity in Physical Assets** and **Equity in Financial Assets**.

#### **Equity in Physical Assets (Line aa)**

The Equity in Physical Assets recognizes all transactions and balances relating to the acquisition, construction, removal, improvement and/or disposition of physical assets (Lines s to x – Schedule A2). For a more detailed description of the items which make up the Equity in Physical Assets, please see Schedule A5 “Statement of Equity in Physical Assets.” Usually, the Equity in Physical Assets is approximately equal to the value of the Physical Assets less the value of any Long Term Debt or Capital Leases. This line item must reconcile to the bottom line from the “Statement of Equity in Physical Assets” (Schedule A5 – Line j).

#### **Equity in Financial Assets (Line ab)**

This is equity supported by the financial assets of the regional district (including any financial assets in a capital fund). This amount must equal the Total Financial Equity line from the **Statement of Financial Activities and Financial Equity** (Schedule A3c - Line ad).

In accordance with PS 1800.57, Financial Equity is divided into the three funds of the local government (Operating, Reserve and Capital). As a note, **Reserve Funds do not include Reserve Accounts**. A Reserve Account is merely a form of appropriated surplus (usually established by council resolution). A Reserve Fund, on the other hand, is established by bylaw, under Part 6, Division 4 of the *Community Charter* cross-referenced from section 814 of the *Local Government Act*, and is meant for capital purposes.

##### **1) Financial Equity in Operating Fund (Line ab1)**

This is generally the accumulated fund surpluses in the operating funds of the local government (including any **appropriated surplus** and **reserve accounts** established through council resolutions). This does not include Reserve Funds. Any unfunded balances should be netted from the operating fund. If any of the liabilities (especially the unfunded liabilities) have not been allocated to a fund, the balance of those liabilities should be netted from the operating fund.

##### **2) Financial Equity in Reserve Fund (Line ab2)**

This is all reserve fund balances under Part 6, Division 4 of the *Community Charter* cross-referenced from section 814 of the *Local Government Act* (except sinking funds, MFA reserve funds and DCC funds, which are all classified as restricted revenue under the liabilities portion of the Statement of Financial Position --- see Line k in Schedule A2). Also, do not include either trust funds or

MFA sinking funds because these are outside the reporting entity of the local government (PS 1300).

### **3) Financial Equity in the Capital Fund (Line ab3)**

In some cases, a local government may place cash in its capital funds. This may occur if there is a cash repayment from an MFA deposit or sinking fund. Also, sometimes a local government will transfer conditional capital grant monies to its capital fund. The Financial Equity in Capital Funds measures equity position in the capital funds that is supported by financial assets.

It is important not to confuse this line item with the Equity in Physical Assets (Line aa). The equity in physical assets is supported by the physical assets in the capital funds of a local government (e.g. building and equipment); while the Financial Equity in the Capital Fund is supported by the financial assets in the capital funds (e.g. cash and receivables).

The Financial Equity in the Capital Fund is not restricted by bylaw. If any of the equity is restricted by bylaw, it should be classified as Financial Equity in Reserve Funds (Line ab2).

### **TOTAL EQUITY (Line ac)**

This is the sum of the Equity in Physical Assets (Line aa) and Equity in Financial Assets (Line ab). This amount must equal Net Total Assets (Schedule A2 - Line z).

## **5(b) - Statement of Financial Activities and Financial Equity - Schedule A3 (Income Statement)**

The Statement of Financial Activities and Financial Equity provides a summary of the sources, allocations and uses of a regional district's financial resources over the last reporting period.

Revenues and expenditures can generally be recorded by either type (the actual form of revenue or expenditure tool used --- e.g. grants and salaries) or function (the area of operations --- e.g. water and sewer). According to PSAB 1800.31, revenues should be recorded by type and expenditures recorded by function.

The reporting presentation used in LGDE is a hybrid of the type and function presentations. The revenues are accounted for by type (e.g. user fees) with some minor breakdowns by function (e.g. user fees are broken down by water, sewer etc...). Expenditures are accounted for by function (e.g. protective services and solid waste management) with a further breakdown by type (operations, interest and capital). This gives the data user a broader picture of local government operations.

All revenues and expenditures are loosely based on a standardized local government chart of accounts set by Statistics Canada.

### **a) Structure of the Statement of Financial Activities:**

A	Revenues ( <b>Schedule A3a</b> )
B	Expenditures ( <b>Schedule A3b</b> )
C=A-B	Net Operating Revenues
D	Adjustment to Fund Balances ( <b>Schedule A3c</b> )
E=C-D	Changes in Financial Equity

### **b) PSAB Test:**

The Net Operating Revenue ("C" from above) must equal the Change in Net Financial Assets (from the Statement of Financial Position) between the previous accounting period and the current accounting period.

## **5(b)(i) - Revenue (Schedule A3a)**

### **Definition of Revenue**

Revenues are increases in economic resources, either by way of inflows or enhancements of assets or by reduction of liabilities, usually resulting from ordinary activities of the local government. As previously mentioned, revenues are recorded by type (with some minor classifications by function). Revenues are based on the definitions from PS 1800.37, and include, but are not limited to, fees, grants, requisitions and external transfers.

External borrowing (including debenture proceeds), internal transfers from other funds, and any appropriations from prior year surpluses are **not** considered revenue. For more information on internal transfers see the “Breakdown in Fund Balances” Schedule A3c – Line ab).

**Revenues are recorded net of any allowances** (such as Bad Debt Expenses, Sales Return Allowances, Collection Allowances etc...). Recoveries of costs from allowances, which have previously been established, should be reported as a net increase in revenue.

If there is a change in a financial asset valuation (i.e. the change in the value of a financial asset) such changes should be recognized in the Statement of Financial Activities (PS 1800.46). Either a positive or negative change may be recognized under “Gain or Loss on Disposition or Revaluation of Financial Assets” Schedule A3a – Line f. A revaluation of Physical Assets is not recognized in the Statement of Financial Activities. Instead it is recognized in the Statement of Equity in Physical Assets (Schedule A5 – Line e) as either a reduction or increase to the equity in physical assets.

### **Definitions**

#### **Payments in Place of Taxes (PIP) (Line a)**

Crown Properties are exempt from municipal taxation under section 220 of the *Community Charter*. Crown Properties are exempt from rural taxation under section 15 of the *Tax (Rural Area) Act*. These exemptions also apply to school districts through section 131 of the *School Act* and to Regional Districts and Regional Hospital Districts through section 28 of the *Regional Hospital District Act*.

These exempt properties include land and improvements vested in the federal/provincial government or any government agencies and crown corporations.

Both the federal and provincial governments have special legislation to make payments in place of taxation to both municipalities and the surveyor of taxes. The payments in place are then transferred to the regional district under section 807 of the *Local Government Act*.

This line item does **not** include any conditional or unconditional government grants; these grants are recorded as Transfers from Other Governments in the Statement of Financial Activities (Line c – Schedule A3a).

**Federal Government/Agencies PIP (Line a1)**

This line item equals all payments in place of taxes received from the federal government (and related agencies and crown corporations) in accordance with the federal *Payment in Lieu of Taxes Act*.

**Provincial Government/Agencies PIP (Line a2)**

This line item equals all payments in place of taxes received from the provincial government (and related agencies and crown corporations) in accordance with the *Municipal Aid Act*.

**Other Payments in Place (Line a3)**

This includes any other payments in place of taxes received from other public authorities not listed above in Lines a1 or a2.

**Service Charges/User Fees (and Other Sale of Services) (Line b)**

This includes all revenues levied under section 797.2 of the *Local Government Act* (Fees and Charges). This also includes any sales of other goods and/or services to individuals, organizations, or governments (or their agencies).

Sales to other governments (and agencies) should also include any bulk sales revenue (of goods or services) to the other government whereby the other government supplies the good or service to its citizens (e.g. sale of bulk water by the RD to participating municipalities on a fee basis).

This category may include the following services:

**Water Services (Line b1)**

-includes supply, treatment and distribution sales revenue

**Sewer Services (Line b2)**

-includes collection, treatment and disposal sales revenue

**Solid Waste Services (Line b3)**

-includes garbage pickup, landfill and recycling sales revenue

**Parks, Recreation and Culture (Line b4)****Transportation (Line b5)**

-includes road maintenance, public transit and snow removal sales revenue ---  
does not include parking

**Other (Line b6)**

-includes sales revenue from services not listed above – e.g. protective services, regional planning, housing, licenses, permits, fines (excluding fines relating to the tax requisition process, which are included in Transfers from other Governments (Schedule A3a – Line c)), franchise and concession contracts and rentals.

**Transfers from Other Governments (Line c)**

A government transfer is a conveyance of money to the local government from another public authority (as defined under section 5 of the *Local Government Act*), where the public authority does not:

- Receive goods or services in return for the conveyance of funds;
- Expect to be repaid for all or a portion of the conveyed funds;
- Expect a financial return on the conveyed funds (e.g. interest or dividends).

Transfers can include entitlements, cost sharing agreements and grants (PS 3410.04). Entitlements are transfers to the local government where the local government must meet specific criteria in order to be eligible for the transfer. Cost sharing usually involves a contractual agreement between the local government and the public authority. Any conveyance of funds from the public authority must be based on eligible expenditures under the terms of an agreement. Grants are transfers made at the discretion of the public authority. These three categories of transfers are not mutually exclusive. Example, a Federal/Provincial infrastructure grant is:

- a grant, established under a program, at the discretion of the senior levels of government;
- an entitlement because a local government must first meet an eligibility criterion in order to receive the grant;
- a cost sharing arrangement involving multiple levels of government under terms of a contractual agreement.

Government Transfers do **not** include the following:

- payments in place of taxes - These are included under the “Payments in Place of Taxes” line (Schedule A3a - Line a);
- internal transfers within the local government reporting entity (for more information on the local government reporting entity, please see part three of this Help Manual).

Government transfers are recognized in the financial statements as revenue in the reporting period if:

- the events giving rise to the transfer occurred,
- the amount of the transfer is authorized, eligible, and estimatable (PS 3410.42).

For the purposes of the LGDE reporting forms, all transfers are broken down by the level of government (federal, provincial, regional) and the nature of the transfer (conditional or unconditional). Provincial transfers include monies received from the surveyor of taxes as part of the annual requisitioning process in the electoral areas. Regional transfers include any transfer of funds from other regional districts, municipalities (including requisitions), improvement districts, school boards, regional health boards, native bands etc.

**Conditional transfers** are used for a specific purpose (e.g. planning grants and infrastructure grants usually involve a specific project or Library grants are for a specific area of local government operations). **Unconditional transfers** are not earmarked for a

specific purpose. Thus, the local government has full discretion on the use of funds from an unconditional transfer.

**Federal Government/Agencies Unconditional Transfers (Line c1)**

"Federal Government Unconditional Transfers" are transfers from the Federal Government (or Federal Agencies) where the regional district has full discretion on the use of funds.

**Federal Government/Agencies Conditional Transfers (Line c2)**

"Federal Government Conditional Transfers" are transfers from the Federal Government (or Federal Agencies) earmarked for specific programs or projects.

**Provincial Government/Agencies Unconditional Transfers (Line c3)**

"Provincial Government Unconditional Transfers" are transfers from the Provincial Government (or Provincial Agencies) where the regional district has full discretion on the use of funds. This includes Regional District Basic Grants.

**Provincial Government/Agencies Conditional Transfers (Line c4)**

"Provincial Government Conditional Transfers" are transfers from the Provincial Government (or Provincial Agencies) earmarked for specific programs or projects.

**Electoral Area Requisitions (Line c4a)**

These are funds requisitioned annually by the regional district to the surveyor of taxes for collection in electoral areas in accordance with section 806 of the *Local Government Act*.

**Other Provincial Conditional Transfers (Line c4b)**

This includes all other provincial conditional transfers --- including, but not limited to, planning grants, library grants, restructure grants, and infrastructure grants (e.g. Local Government Grant Program and the Federal Provincial Infrastructure Program).

***Important Note Concerning the current Federal/Provincial Infrastructure Works Program.*** Under the contract conditions set out in this program, only the provincial government transfers funds to the local government. The province, in turn, requisitions the federal government for its share of the costs. Because the regional district does not receive any money directly from the federal government, all transfers should be recognized as being strictly provincial (not split between the provincial and federal governments).

**Regional and Other External Transfers (Line c5)**

These are transfers (both conditional and unconditional) from public authorities (other than federal or provincial authorities) and private organizations.

**Local Government Requisitions (Line c5a)**

These are funds requisitioned annually by the regional district to member municipalities for collection of taxes in municipal areas in accordance with section 805 of the *Local Government Act*.

**Member Municipality MFA Debt Payment (Line c5b)**

This is money transferred from member municipalities to the regional district for the purpose of discharging debt obligations under section 824 of the *Local Government Act* (Financing Municipal Undertakings).

**Other Regional Transfers (Line c5c)**

These include any other transfers (not listed above in lines c5a and c5b) from other regional districts, municipalities, school boards, native bands, and improvement districts. These may also include transfers from non-public authorities such as the Federation of Canadian Municipalities (Green Municipal Enabling Fund and the Green Municipal Investment Fund).

**Investment Income (Line d)**

This line item reports certain revenues resulting from financial assets (on Schedule A2) especially cash and investments (Line a), loans receivable (Line d) and other financial investments (Line e). This usually comprises routine income streams from these investments, including:

- interest and dividends on securities
- interest on loans and advances

This investment income should be adjusted for any amortization of discounts or premiums on the purchase of securities and for any foreign currency adjustments on investment income.

Investment income does not include **one-time gains or losses** from asset disposition (or asset revaluation), **rental income** or **income from government business enterprises**. Gains or losses are recorded on Lines f1 & f2 (for financial assets) or Line g2 (for physical assets); rental income is recorded under Line b6 “Other Sale of Services” and income from government business enterprise is recorded under Line h “Other Revenue” -- all of these line items are on Schedule A3a (Revenue).

Also, do not include any **investment income** on monies held **in restricted or deferred revenue** funds (Schedule A2 – Lines k & l – including DCCs and sinking funds). This investment income does **not** flow through the Statement of Financial Activities (in accordance with PS 3100.11). Instead the investment income is credited directly to the restricted (or deferred) revenue fund, which is a liability:

DR Cash	xxx
CR Restricted Revenue	xxx

Most revenue in restricted (or deferred) revenue funds is not recognized until actual works are performed.

**Actuarial Adjustments on MFA Debt (Line d1)**

**Important Note Regarding Municipal debt:** This adjustment only applies to MFA debentures for regional services; this does **not** apply to MFA debentures issued on behalf of member municipalities. (For more information, please see below.)

The actuarial adjustments reflect annual investment gains from the sinking funds (and other debt retirement funds) held by the MFA. Because these sinking funds are held by an external body (i.e. the MFA), they are not reported in the local government's Statement of Financial Position. Instead the actuarial adjustment is applied directly against the outstanding debenture debt of the local government (Schedule A2 – Line m1b).

Some local governments have (in the past) netted actuarial adjustments from interest expenditures. This is **not** the recommended application of PSAB or Provincial Reporting Requirements. The actuarial adjustment is a reduction to the principal on long term debt (not interest). By netting these adjustments from interest expenditures, the true interest financing costs of a local government are understated. The recommended approach is to treat actuarial adjustments as a form of notional investment income (used to draw down debt). This agrees with the previous definition of revenue that includes an increase in economic resources by way of a reduction in liabilities. The recommended transaction is as follows:

<b>DR</b> Actuarial Adjustments Receivable	xxx
<b>CR</b> Investment Income	xxx
<i>(Recognition of the Actuarial adjustment when annual invoice is sent from the MFA)</i>	
<b>DR</b> Debentures Payable	xxx
<b>CR</b> Actuarial Adjustments Receivable	xxx
<i>(Reduction of long term debt by the actuarial adjustment amount)</i>	

**Payment Reduction by MFA** – In some cases, nearing the end of the debt financing duration, the MFA will reduce or eliminate the semi-annual payment invoices of interest and principal owed by the local government. However, the long term debt on the Statement of Financial Position must still be drawn down. In this case, the annual actuarial adjustment (plus the amount that normally would have been paid as principal) is included as Investment Income in the “Actuarial Adjustments” line item (Line d1). Any reduction or elimination of interest expenditures is simply shown as a reduction in Interest in the Expenditures Section of the Statement of Financial Activities.

**Important Note Regarding Municipal debt:** This adjustment only applies to MFA debentures for regional services; this does **not** apply to MFA debentures issued on behalf of member municipalities. The annual actuarial adjustment for MFA debentures on behalf of member municipalities is accounted for as a balance sheet transaction:

<b>DR</b> Long Term Debt (on behalf of member mun)	xxx
<b>CR</b> Loans Receivable (from mun)	xxx
<i>(For actuarial adjustments on member municipal debt)</i>	

For more information on annual debt payments from member municipalities please see Line c5b – Schedule A3a (Member Municipality Debt Payments) and Line t1 – Schedule A3b (Debt Payments for Member Municipalities).

**Other Investment Income (Line d2)**

This line item includes all above listed investment income except for actuarial adjustment on MFA debt (from Line d1).

**Developer Contributions (Line e)**

These are charges imposed on developers to provide certain regional infrastructure (including water, sewer, drainage, parkland and roads).

Developer contributions are only recognized when the actual infrastructure works are performed. Any developer contributions paid in advance of the infrastructure works are placed in restricted revenue in the Statement of Financial Position (Schedule A2 - Lines k2a to k4).

**Development Cost Charges – DCCs (Line e1)**

This is development revenue recognized under the authority of a DCC bylaw (Part 26, Division 10 of the *Local Government Act*).

**Other Developer Contributions (Line e2)**

This includes all other developer contributions (other than DCCs). One such contribution is cash in lieu of parkland under section 941 of the *Local Government Act*.

**Gain or (Loss) on Disposition or Revaluation of Financial Assets (Line f)**

This reports any gains or losses from the disposal or revaluing of financial assets (**not** physical assets which report disposals in Line g and revaluations on the Statement of Equity in Physical Assets (Schedule A5 Line e)).

“Dispose” is defined under section 29 of the *Interpretation Act* to include “assign, give, sell, grant, charge, convey, bequeath, devise, lease, divest, release and agree to do any of those things.” This definition of disposal will apply to these line items except for any types of grants (or other forms of assistance) which are recognized as expenditures and operating leases, where the regional district is acting as the lessor.

Revaluation of financial assets can include permanent impairment and reduction in investment value to the lower of cost or market. This line item does not generally include allowances (e.g. bad debt expenses), which are generally netted off other revenue items (such as sales revenue).

Gain and Loss on Disposition and Revaluation of Financial Assets are broken down into two categories:

**Land held For Resale (Line f1)**

These are gains and losses from any Property Held for Resale (Schedule A2 – Line f).

**Other Gains and Losses (Line f2)**

These are gains and losses associated with all other financial assets (except property held for resale). Also, MFA sinking fund surplus received from the MFA should be included here.

**Proceeds from Disposition of Physical Assets (Line g)**

This reports all proceeds from the disposal of physical assets (not financial assets, which are reported in Line f).

“Dispose” is defined under section 29 of the *Interpretation Act* to include “assign, give, sell, grant, charge, convey, bequeath, devise, lease, divest, release and agree to do any of those things.” This definition of disposal will apply to this line item except for any operating leases where the regional district is acting as the lessor.

A “revaluation” of Physical Assets is not recognized in the Statement of Financial Activities. Instead it is recognized in the Statement of Equity in Physical Assets (Schedule A5 – Line e) as either a reduction or increase in the equity in physical assets.

Proceeds from disposition are broken down into two categories:

**Book Value of Asset (Line g1)**

This is the recorded value of the physical asset in the Statement of Financial Position at the time of disposition.

*It may be asked why we recognize the book value of physical assets that are being disposed but not the book value of the financial assets (Line f). The reason is that when a physical asset is disposed for cash, we are converting a physical asset (e.g. building) into a financial asset (cash). Because of this, we are increasing the Equity in Financial Assets and decreasing the Equity in Physical Assets. Therefore the full increase in the Equity in Financial Assets must be shown in the Statement of Financial Activities (all proceeds from disposition).*

*In the case of disposing of a financial asset, we are converting one type of financial asset (e.g. Land held for Resale) into another form of financial asset (e.g. Cash). Thus, the only change in the Equity in Financial Assets is the gain or loss on disposition. Therefore we only recognize the gain or loss in the Statement of Financial Activities.*

**Gain or Loss on Disposition (Line g2)**

This is the gain or loss on the book value of the physical asset at the time of disposition.

**Other Revenue (Line h)**

This includes all other revenues not listed above and can include (but is not limited to):

- Insurance Proceeds
- Income of Government Business Enterprises

**Total Revenue (Line i)**

This line item is the sum of all revenues (lines a to h).

## **5(b)(ii) - Expenditures (Schedule A3b)**

### **Definition of Expenditure**

An expenditure is a cost of goods or services acquired from a party outside the local government reporting entity in the last reporting period (including local government transfers to an external party). The government reporting entity is explained in Part 3 of this Help Manual. Expenditures are recognized regardless of whether invoices are received or payments are made and include, but are not limited to, wages, benefits, supplies, interest and capital costs. (PS 1800.41)

Internal transfers between funds and repayment of debt principal are **not** expenditures in the Statement of Financial Activities. Instead, debt principal repayments and breakdown of fund balances are recorded in a separate reconciliation schedule for the Equity in Financial Assets (Schedule A3c).

Amortization of physical assets is also **not** an expenditure that flows through the Statement of Financial Activities. If a local government amortizes its physical assets, the annual amortization costs should flow through the Statement of Equity in Physical Assets as “Other Capital Adjustments” (Schedule A5 – Line e). However, it should be noted that the Municipal Manual currently recommends amortization not be recorded for accounting purposes (Section B). This section may be subject to change in the future.

The acquisition of a financial asset (from section 5(a)(i) of this Help Manual - including land held for resale) is **not** an expenditure. Instead it is considered a simple conversion of one financial asset (e.g. cash) into a different financial asset (e.g. land held for resale). **Important to note:** the acquisition of physical assets (from section 5(a)(iii) of this Help Manual - including land as a physical asset) is considered a capital expenditure in the Statement of Financial Activities. This is because the financial equity must be reduced to reflect the loss of financial assets (e.g. cash), while the equity in physical assets must be increased to reflect the acquisition of the new asset (e.g. land).

### **Functional Expenditures**

For reporting purposes, expenditures are recorded on a functional basis in accordance with PS 1800.31 (i.e. by area of local government operation). These functions approximately parallel the municipal chart of accounts established by Statistics Canada.

Any cost allocation between functional areas is recorded as a net reduction in expenditures from the originating function and a net increase in expenditures in the destination function (e.g. allocation of administration cost to the cost of policing results in a decrease to general administration expense and an increase to police operations expense). This is simply a transfer of expenditures; there is no recognition of revenue.

### **Further Cost Breakdown by Expenditure Type (Operating, Interest and Capital)**

Each functional area is broken down into three activity groupings: Operating, Interest and Capital Expenditures.

**Operating Expenditure**

Operating expenditures are all costs incurred in the normal course of business that are required to provide a good or service for the regional district. These costs accrue to external parties and will normally include salaries, benefits, contracted services (non-capital), transfers, operating lease payments (non-capital) and material purchases.

Operating costs do **not** include any interest expenditures, capital expenditures or one-time losses. Any one-time losses should be netted from any gains recorded in either Lines f1 or f2 of this schedule (Gain or Loss on Disposition or Revaluation of Financial Assets) or Line g2 of this schedule (Gain or Loss on Disposition of Physical Assets).

**Interest Expenditure**

This is the annual interest expenditure on debt and capital lease agreements (or other capital agreements). This amount also includes any adjustments for currency translations on debt denominated in a foreign currency.

Multipurpose Facilities - If the debt or capital lease is associated with multiple functions of the local government (e.g. a multipurpose regional facility with a regional office, fire hall and recreation facility), the local government should use its best estimates to allocate the annual interest expenditures to the various functions (e.g. regional office to Line j2, fire hall to Line k2, and recreation facility to Line p2 --- all lines on Schedule A3b). PS 1800.45 states that estimates are allowed in determining certain expenditures.

Actuarial Adjustments - **Do not reduce interest expenditures by actuarial adjustments on MFA debentures.** These adjustments flow through the Statement of Financial Activities as a form of notional investment income. For more information on actuarial adjustments, please see “Actuarial Adjustments (Line d1 – Schedule A3a)” from this Help Manual.

**Capital Expenditure**

Capital expenditures are costs associated with the acquisition, construction, and development of physical assets in the Statement of Financial Position (Schedule A2 - Lines s to y). “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 capital 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 (Sch A2).

Capital 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)

When one physical asset is traded for another – The current book value of the asset being traded away is recognized in Schedule A3a – Line g1, “Book Value of Asset.” The fair market value of the asset being acquired is recorded as a capital expenditure by function (e.g. a fire truck would be recorded in Schedule A3b - Line k3 (Capital Expenditures for Protective Services)). The fair market value should be estimated using either market or appraised values (PS 3150.16). Any difference between the book value of the asset being traded away and the fair market value of the asset being acquired would be recognized as a gain or loss on disposition of physical assets (Schedule A3a – Line g2).

When a physical asset is donated or acquired for a nominal amount – The only amount that should be recognized in the Statement of Financial Activities is the nominal amount paid to acquire the asset. If there is any revaluation of the physical asset it should be done through the Statement of Financial Position (Schedule A2 - Lines s to y) and the Statement of Equity in Physical Assets (Schedule A5 – Line e).

Improvements to a physical asset – An improvement to a physical asset is recognized as a capital expenditure 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 an 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 expenditure (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 regional facility with a city hall, police station and recreation facility). The local government should use its best estimates to allocate the capital expenditures to the various functions (e.g. city hall to Line j3 [admin], police station to Line k3 [protective services], and recreation facility to Line p3 [parks, rec & culture] --- all lines on Schedule A3b). PS 1800.45 states that estimates are allowed in determining certain expenditures.

Internal transfers between funds are not expenditures.

## Functional Classifications of Expenditures

### General Government (Line J)

This line item reports activities that provide for the overall administrative and strategic support of local government operations.

#### General Administration Operations (Line j1a)

This function reports activities related to the administration of the regional district as a whole, including:

- Central Administration
  - Office of Chief Administrator
  - Corporate Planning
  - Legal Services
  - Support Services
  - Public Relations
  - Elections and Referenda
  - Consulting Services
  - Membership in local government associations
- Central Finance
  - Accounting
  - Auditing
  - Budgeting
  - Payroll
  - Revenue Collection
  - Risk Management
  - Grant Management
  - Licensing Administration
- Central Human Resources
- Central Information Systems

**Legislative Operations (Line j1b)**

This reports board-related and legislative activities of a local government. These may include board remuneration and benefits (under section 168 of the *Community Charter* cross-referenced from section 814 of the *Local Government Act*) plus any additional costs associated with the legislative operations of the board.

**Other General Government Operations (Line j1c)**

This includes all general government activities that are not part of the general government functions defined above.

**Total General Government Operations (Line j1)**

This is the sum of Lines J1a to J1c.

**Interest/Foreign Exchange on Debt (General Government) (Line j2)**

This includes all interest and exchange costs on financing related to the general government function. **For more information** on the accounting treatment of interest expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

**Capital Expenditures (General Government) (Line j3)**

This includes all Capital Expenditures relating to the general government function. **For more information** on the accounting treatment of capital expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

**Protective Services (Line k)**

This line item reports activity related to providing for security of the property and citizens of a local government.

**Police Operations (Line k1a)**

This line item reports all activities related to policing and law enforcement covered under Section 15 of the *Police Act* (plus related provisions under the *Justice Administration Act*), and includes the following:

- maintenance of law and order,
- provision of officers for a police force, and
- provision of detention premises and services.

Currently, regional districts do **not** have any policing costs.

**Fire Protection Operations (Line k1b)**

This line item reports all activities related to fire protection, including the following services:

- prevention (including public education),
- protection,
- suppression,
- investigation,

- any additional powers under the *Fire Services Act* and Section 797(1) of the *Local Government Act*.

**Bylaw Enforcement Operations (Line k1c)**

This line item reports all activities related to enforcing regional district bylaws (under section 794(5) --- cross references to Part 8, Division 1 of the *Community Charter*), including costs associated with:

- staffing bylaw enforcement officers (under section 16 of the *Community Charter*) and
- prosecution of bylaw offences (under section 263 of the *Community Charter*).

Bylaws that require an enforcement mechanism include, but are not limited to, those listed in section 797.1 of the *Local Government Act*, including:

- general regulatory bylaws under section 796.2 of the *Local Government Act*,
- building inspection,
- animal control,
- noise control,
- nuisance control (including littering, noxious emissions and unsightly premises),
- fireworks,
- security and alarm systems, and
- soil/gravel removal and deposit.

**Other Protective Services Operations (Line k1d)**

This line item reports all other protective services that are not defined under police, fire and bylaw enforcement. This may include, but is not limited to: emergency preparedness and disaster services (under section 6 of the *Emergency Program Act*), emergency radio services and 911 services.

**Total Protective Services Operations (Line k1)**

This is the sum of Lines k1a to k1d.

**Interest/Foreign Exchange on Debt (Protective Services) (Line k2)**

This includes all interest and exchange costs on financing related to the protective services function. **For more information** on the accounting treatment of interest expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

**Capital Expenditures (Protective Services) (Line k3)**

This includes all Capital Expenditures relating to the protective services function. **For more information** on the accounting treatment of capital expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

**Solid Waste Management/Recycling (Line 1)****Operations (Solid Waste Management/Recycling) (Line 11)**

This line item reports all annual operating costs related to solid waste management (under the *Waste Management Act* and sections 797(1) and 797.1(4) of the *Local Government Act*). The definition of solid waste includes, but is not limited to:

- garbage,
- litter,
- refuse,
- biomedical wastes, and
- special wastes (as defined under section 1 of the *Special Waste Regulation* (BC Reg 63/88)) (e.g. industrial wastes – PCBs, dioxins, petrochemicals, pesticides, herbicides, asbestos etc...).

Annual operating costs relating to solid waste management include, but are not limited to, the collection, storage, handling, treatment, transportation, discharge and destruction of solid waste, specifically:

- preparation of solid waste management plans,
- maintenance and operation of sanitary landfill sites,
- maintenance and operation of waste incinerators,
- maintenance and operation of recycling facilities,
- maintenance and operation of vehicles and equipment used in the collection and disposal of solid waste, and
- solid waste landfill closure and post-closure costs incurred in the current year (for a more detailed explanation, see – in this Help Manual – “Landfill Closure/Post Closure Liability” Schedule A2, Line o1).

**Interest/Foreign Exchange on Debt (Solid Waste Management) (Line 12)**

This includes all interest and exchange costs on financing related to the solid waste management services function. **For more information** on the accounting treatment of interest expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

**Capital Expenditures (Solid Waste Management) (Line 13)**

This includes all capital expenditures relating to the solid waste management services function. **For more information** on the accounting treatment of capital expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”). This line item includes, but is not limited to, landfill sites, incinerators, recycling facilities and collection vehicles.

**Health, Social Services and Housing (Line m)****Operations (Health, Social Services and Housing) (Line m1)**

This line item reports all annual operating costs related to social services, public health and environmental health (**excluding** – water, sewer, garbage, and drainage), specifically:

- health support for indigents,
- financial support for medical practitioners,
- family counselling,
- parent and child development,
- victim services,
- alcohol and drug programs,
- drop in centres,
- day care and after school care, and
- public housing operations (social housing and not-for-profit rental housing).

**Interest/Foreign Exchange on Debt (Health, Social Services and Housing) (Line m2)**

This includes all interest and exchange costs on financing related to the health, social and housing services functions. **For more information** on the accounting treatment of interest expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

**Capital Expenditures (Health, Social Services and Housing) (Line m3)**

This includes all capital expenditures relating to the health, social and housing services functions. **For more information** on the accounting treatment of capital expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

**Development Services (Line n)****Operations (Development Services) (Line n1)**

This line item reports all annual operating costs related to resource conservation, industrial development, and community planning and development, specifically:

- land use planning (Part 26 of the *Local Government Act*),
- zoning,
- subdivision and development planning,
- planning research and studies,
- economic development projects,
- agricultural development,
- conventions and tourism, and
- resort business improvement areas (sections 797.1(3)(b) of the *Local Government Act* and section 215 of the *Community Charter*).

**Interest/Foreign Exchange on Debt (Development Services) (Line n2)**

This includes all interest and exchange costs on financing related to the development services function. **For more information** on the accounting

treatment of interest expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

### **Capital Expenditures (Development Services) (Line n3)**

This includes all Capital Expenditures relating to the development services function. **For more information** on the accounting treatment of capital expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

## **Transportation and Transit Services (Line o)**

### **Operations (Transportation and Transit) Line (o1)**

This line item reports all annual operating costs related to transportation and transit services, including operating and maintenance costs of the following:

- transit vehicles and other equipment (e.g. buses, support vehicles, trolley systems, and speciality vehicles for seniors and the disabled),
- transit buildings (e.g. offices, yards, workshops, garages),
- transportation administration,
- roads (generally not applicable to RDs), sidewalks, street lighting and signage,
- motor vehicle inspection,
- snow removal, and
- parking facilities.

\*\*\* If **drainage** and storm sewer infrastructure are part of the transportation function, include all operating and maintenance costs relating to the upkeep of the system.

\*\*\* **Do not include** airports or wharves; these are included as parts of “Other Services.”

### **Interest/Foreign Exchange on Debt (Transportation and Transit) (Line o2)**

This includes all interest and exchange costs on financing related to the transportation services function. **For more information** on the accounting treatment of interest expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

### **Capital Expenditures (Transportation and Transit) (Line o3)**

This includes all capital expenditures relating to the transportation services function. **For more information** on the accounting treatment of capital expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

## **Parks, Recreation and Culture (Line p)**

### **Operations (Parks, Recreation and Culture) (Line p1)**

This line item reports all annual operating costs related to activities that provide recreational and cultural services.

**Parks**

This is the annual operating and maintenance costs associated with green space, trails, beaches, playing fields, golf courses, ski areas and public squares.

**Recreation**

This is the annual operating and maintenance costs associated with regional recreation boards, and facilities including: swimming pools, skating rinks, curling rinks, gymnasiums, racquet courts, and exercise areas.

**Culture**

This is the annual operating and maintenance costs associated with cultural boards and facilities including: libraries, galleries, museums, community halls, performing arts theatres and heritage conservation programs.

**Interest/Foreign Exchange on Debt (Parks, Rec and Culture) (Line p2)**

This includes all interest and exchange costs on financing related to the parks, recreation and cultural services function. **For more information** on the accounting treatment of interest expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

**Capital Expenditures (Parks, Recreation and Culture) (Line p3)**

This includes all Capital Expenditures relating to the parks, recreation and cultural services function. **For more information** on the accounting treatment of capital expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

**Water Services (Line q)****Operations (Water Services) (Line q1)**

This line item reports all annual operating costs related to supplying, storing, treating and transporting potable and irrigation water in accordance with the provincial *Water Act*, *Health Act*, and the Safe Drinking Water Regulation (BC Reg 230/92). Water operating expenditures can include purchases of water supply from an adjoining jurisdiction.

**Interest/Foreign Exchange on Debt (Water Services) (Line q2)**

This includes all interest and exchange costs on financing related to the water services function. **For more information** on the accounting treatment of interest expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

**Capital Expenditures (Water Services) (Line q3)**

This includes all capital expenditures relating to the water services function. **For more information** on the accounting treatment of capital expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”). Capital expenditures include, but are not limited to, the acquisition and construction of mains, distribution lines, intakes, wells, reservoirs, pressure reducing valves (PRVs), pumphouses and treatment and disinfection facilities.

**Sewer Services (Line r)****Operations (Sewer Services) (Line r1)**

This line item reports all annual operating costs related to gathering, treating, transporting, storing, utilizing or discharging sewage or reclaimed water in accordance with the *Waste Management Act* Municipal Sewage Regulation (BC Reg 129/99) and Sewage Disposal Regulation (BC Reg 411/85). Sewer operating expenditures can include the purchasing of sewage treatment capacity from an adjoining jurisdiction.

**Interest/Foreign Exchange on Debt (Sewer Services) (Line r2)**

This includes all interest and exchange costs on financing related to the sewer services function. **For more information** on the accounting treatment of interest expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

**Capital Expenditures (Sewer Services) (Line r3)**

This includes all capital expenditures relating to the sewer services function. **For more information** on the accounting treatment of capital expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”). Capital expenditures include, but are not limited to acquisition or construction of mains, collector lines (including combined sanitary-storm sewer lines), pumps, outfalls, manhole covers, and facilities for storage, treatment, reuse/recycling and disposal (including treatment plants, lagoons and sludge handling facilities).

**Other Services (Line s)****Operations (Other Services) (Line s1)**

This line item reports all annual operating costs related to any regional district function not previously listed in Lines j to r (Schedule A3b). Such services may include cemeteries, airports, wharves & docks, and other utilities (e.g. telephone, gas, electricity etc.) including any financing for such utilities under section 797.1(3)(a) of the *Local Government Act*.

**Interest/Foreign Exchange on Debt (Other Services) (Line s2)**

This includes all interest and exchange costs on financing related to the other services functions. **For more information** on the accounting treatment of interest

expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

**Capital Expenditures (Other Services) (Line s3)**

This includes all capital expenditures relating to the other services functions. **For more information** on the accounting treatment of capital expenditures, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenditures – Schedule A3b”).

**Debt Payments for Member Municipalities (Line t1)**

This includes the semi-annual payments to the MFA on behalf of member municipalities for the financing costs of their debt (in accordance with section 824 of the *Local Government Act*). This is a formula driven cell that links to Line c5b – Schedule A3a (Transfers from Member Municipalities for MFA Debt Payment). If, for some reason, these two cells should not equal, make an adjusting entry in “Other Adjustments” (Line t2 – Schedule A3b).

**Other Adjustments (Line t2)**

This includes other expenditures that do not easily fit into any of the above functional categories. **Note:** Do not include losses from asset disposition or revaluation on this line. Instead include any gains and losses together on either Lines f1 or f2 (for financial assets) or Line g2 (for physical assets) on Schedule A3a.

**Caveat:** The Ministry may request further detailed information on “Other Services” (Line s) or “Other Adjustments” (Line t2) if the total amounts in these lines exceed **5%** of total regional district expenditures.

**Total Expenditures (Line u)**

This line item is the sum of all regional district expenditures (Lines j to t2) including operating, interest and capital.

**Net Operating Revenue (Line v)**

This line item is equal to the total revenues (Line i – Schedule A3a) less the total expenditures (Line u – Schedule A3b) for the local government over the last reporting period. **Remember:** The Net Operating Revenue should equal the change in Net Financial Assets from the previous reporting period to the current reporting period (i.e. change in [Line r – Schedule A2] from the previous year’s LGDE to the current year’s LGDE).

### **5(b)(iii) - Financial Equity - Fund Balances (Schedule A3c)**

The purpose of this schedule is to provide the necessary adjustments to the Net Revenue (from the Statement of Financial Activities) in order to reconcile the Net Operating Revenue to the Financial Equity in the Statement of Financial Position (Line ab – Schedule A2). **Aside:** Related to this Financial Equity Schedule (A3c) is Schedule A5, which reconciles the financing and capital investment activities to the Equity in Physical Assets (Line aa – Schedule A2).

In accordance with PS 1800.63, the “Fund Balances” part of the Statement of Financial Activities should disclose the financial equity changes in the operating, reserve and capital funds over the reporting period. These changes may occur through internal charges, fund transfers, appropriations and financial reporting adjustments. **For the purposes of the LGDE reporting forms, we are only concerned with the net change in fund balances and not the net transfers between individual funds.**

#### **Net Operating Revenue (Line v)**

This is a linked cell from Line v in Schedule A3b (Expenditures Statement). It is equal to the total annual revenues less the total annual expenditures.

#### **Lines w, x, y and z**

These line items all reflect net adjustments between the “Financial Equity” and the “Equity in Physical Assets” due to different components of capital financing (e.g. debt issue and repayment). ***Important Note:*** the capital financing in these lines only applies to RD debt for RD services it **does not** apply to RD financing on behalf of member municipalities.

#### **Debt Principal Payment (Line w)**

A principal payment is a repayment of the principal component of regional district debt (this can include the principal portion of MFA debenture debt, bank loans, serial debt (e.g. mortgages), capital leases, and other capital financing arrangements under agreement). **This line item does not include interest payments or MFA actuarial adjustments.** Also, this **does not** include debt principal payments to the MFA on behalf of member municipalities.

In accordance with PS 1800.41, debt repayment (for regional services) is not considered an “expenditure” and therefore does not flow through the Statement of Financial Activities above the Net Revenue line (Line v – Schedule A3b). However, the repayment of principal on debt does represent a net outflow of cash from the local government and thus a net reduction in the financial equity. Therefore, debt principal payments are treated as a net reduction when reconciling the Net Operating Revenue (Line v) to Financial Equity (Line ab – Schedule A2).

**DO NOT ENTER THIS LINE ITEM AS A NEGATIVE NUMBER** – enter it as a positive number and the program will subtract it from the Net Operating Revenue.

The principal payments will automatically link to the Statement of Equity in Physical Assets (Schedule A5 – Line c), because it represents a decrease in financial equity and an increase in equity in physical assets. Each principal payment installment on long term debt represents a reduction in the external encumbrances on the regional district's physical assets. Therefore, the equity in physical assets should increase.

**Actuarial Adjustments (Line x)**

This line item represents the annual actuarial adjustments on MFA debenture debt (**for regional services only** – **do not** include actuarial adjustments on debt for member municipalities). Actuarial adjustments are classified as a form of notional investment income under Line d1 (Schedule A3a – Revenue).

Since the actuarial adjustments represent a direct reduction on long term debt, it should reflect a reduction in financial equity and an increase in physical equity. Like principal payments, each installment of the actuarial adjustment reduces the long term debt, representing a reduction in the external encumbrances on the local government's physical assets. Therefore, the equity in physical assets should increase.

This line item is linked (with the principal payments from Line w) to the Statement of Equity in Physical Assets (Schedule A5 - Line c).

**Proceeds from the Issue of Debt (Line y)**

This line item represents the value of financial proceeds from borrowing received by the regional district from the MFA (or other financing organizations) and the value of any new capital leases entered into during the accounting period. **Do not include any proceeds from borrowing on behalf of member municipalities.**

In accordance with PS 1800.37, "Revenue" does not include financial proceeds from borrowing (including debenture issues). Thus, borrowing proceeds do not flow through the Statement of Financial Activities above the Net Operating Revenue line (Line v – Schedule A3b). However, borrowing proceeds do represent a net cash inflow to the local government from financing activities and thus should increase the financial equity.

This line item links to the Statement of Equity in Physical Assets (Line b – Schedule A5).

**Other Adjustments (Line z)**

This includes any other adjustments to the Net Operating Revenue (Line v – Schedule A3b) in order to reconcile to the financial equity (Line ab – Schedule A2). This line item does **not** include principal payments, actuarial adjustment or debt proceeds. It also **does not include any prior period adjustments**. Prior period adjustments are discussed in Line ac2 – Schedule A3c).

If these adjustments represent a reduction from the Net Operating Revenue (Line v), enter the value as a negative number.

**Changes in Fund Balances (Line aa)**

This line item represents the net change in the financial equity of the local government over the last accounting period (not including any prior period adjustments).

This is a formula driven cell and equals:

*Line v (Net Op Revenue) – Line w (Principal Payments) – Line x (Actuarial Adjustments) + Line y (Debt Proceeds) + Line z (Other Adjustments)*

**Breakdown of Fund Balances by Financial Equity Category (Line ab)**

In accordance with PS 1800.63, the “Fund Balances” part of the Statement of Financial Activities should disclose the financial equity changes in the operating, reserve and capital funds over the reporting period. These changes may occur through internal charges, fund transfers, appropriations and financial reporting adjustments. **For the purposes of the LGDE reporting forms, we are only concerned with the net change in fund balances and not the net transfers between individual funds.** Therefore, this line item merely apportions the total Change in Fund Balances from Line aa (Schedule A3c), between operating, reserve and capital funds. If the net change to any of the three funds is negative, enter a negative number.

The total of the three funds from Line ab should equal the total Change in Fund Balances from Line aa.

**Revised Financial Equity Balance at the Start of the Year (Line ac)**

This line item is the total value of the financial equity (by fund --- operating, reserve and capital) at the start of the accounting period, including any prior period adjustments. This is a formula cell and equals:

*Line ac1 (Financial Equity Balance at Yr Start) plus Line ac2 (Prior Period Adjustments)*

**Financial Equity Balances at the Start of the Year (Line ac1)**

This line item represents the financial equity balances in each of the three funds (operating, reserve and capital) at the beginning of the accounting period. These numbers should be taken from the ending balance of last year’s LGDE forms. The operating fund should be disclosed net of any unfunded amounts. **Important Note:** In the case of any unfunded balances not allocated to a particular fund (especially unfunded liabilities), the amount of these unfunded balances should be netted from the operating fund opening balance.

**Prior Period Adjustments (Line ac2)**

A prior period adjustment is a restatement of prior year’s financial statements due to either a change in accounting policy or correction of a prior period error (PS 2120.35).

All prior period adjustments to financial equity should be shown on this line item (according to fund type --- operating, reserve, and capital). **Aside:** any prior period adjustments that affect the Equity in Physical Assets are dealt with in Schedule A5 – Line h.

Any prior period adjustments that result in a reduction to the opening balance of the financial equity should be entered as a negative value.

**Caveat:** The Ministry may request further detailed information on the prior period adjustments if the total amount in this line exceeds **5%** of the opening fund balances in Line ac1 – Schedule A3c.

**Financial Equity Balance at End of Year (Line ad)**

This line item represents the Equity in Fund Balances at the Start of the Year (including prior period adjustments) (Line ac) **plus** any Changes in Fund Balances for the current reporting period (Line ab).

The amount in this line item should reconcile with the Financial Equity in the Statement of Financial Position (Lines ab1, ab2, and ab3 in Schedule A2).

## **5(c) – Statement of Surplus & Reserve Fund Balance (Schedule A4)**

For each service established by the regional district (by bylaw, resolution or supplementary letters patent) the regional district should disclose the following information:

- **Service Area Name** (Column 1) – The official name of the service being established.
- **Service Type** (Column 2) – The functional purpose of the service (e.g. water, sewer, fire protection, building numbering, etc...). If there is more than one function for a particular service, list both functions (e.g. a multipurpose service may be both recreation and library).
- **Surplus Balance** (Column 3) – The financial surplus (i.e. not equity in physical assets) in a particular service. This figure should also include any “reserve accounts” but should **not** include any reserve fund or DCC balances.
- **Reserve Fund Balance** (Column 4) – This is the financial equity balance in any reserve funds established in accordance with section 814 of the *Local Government Act*.
- **DCC Fund Balance** (Column 5) – This is the fund balance in development cost charge funds established in accordance with Part 26, Division 10 of the *Local Government Act*.

There are a total of 75 rows in this schedule (excluding the summary row at the bottom of the page), one row for each service. If a regional district has more than 75 services, all services should still be listed. However, the smallest services should be lumped together in Line 75.

The reserve fund balance for this schedule (column 4) should reconcile to the reserve fund balance from the Statement of Financial Position (Line ab2 – Schedule A2).

The DCC fund balance for this schedule (Column 5) should reconcile to the DCC fund balance from the Statement of Financial Position (Line k2 – Schedule A2).

## **5(d) – Statement of Equity in Physical Assets**

The Equity in Physical Assets equals the portion of Physical Assets (Line y – Schedule A2) that is owned by the local government free of any external financial encumbrances.

The purpose of this schedule is to reconcile any changes in physical equity for the current reporting period to the Statement of Financial Position. These changes are usually the result of the normal financial activities of the local government.

The bottom line from this schedule must reconcile with the Equity in Physical Assets line from the Statement of Financial Position (Line aa – Schedule A2).

### **Capital Expenditures (Line a)**

This line is a formula cell that links to the capital expenditures from the Statement of Financial Activities. This line equals the sum of Lines j3, k3, l3, m3, n3, o3, p3, q3, r3, and s3 from Schedule A3b.

Capital expenditures represent an increase in the book value of physical assets through the acquisition, construction and development of new physical assets. Therefore they also represent an increase in the value of the Equity in Physical Assets. This line will also capture any capital expenditures by way of long term capital lease agreements.

### **Less: Proceeds from Issue of Debt (Line b)**

Regional Districts are not allowed to run sustained deficits in accordance with sections 814 and 815 of the *Local Government Act*. Therefore any long term debt of a local government is to support capital asset financing (not operations).

This line item represents the portion of capital expenditures, for the current reporting period, that were financed through new debt. Since debt represents an external encumbrance on the physical assets, it also represents a reduction in the equity in physical assets.

This line item is a formula cell that links to the Fund Balances section of the Statement of Financial Activities (Line y – Schedule A3c).

### **Plus: Principal Payments and Actuarial Adjustments (Line c)**

Principal payments (including the principal portion of annual capital lease payments) and actuarial adjustments represent a reduction in the long term liabilities in the Statement of Financial Position (Lines m & n – Schedule A2). Therefore, these payments and adjustments represent a reduction in the external encumbrances on physical assets --- thus, an increase in the Equity in Physical Assets.

This line item is a formula driven cell that links to the sum of Debt Principal Payment and Actuarial Adjustments from the Statement of Financial Activities (Lines w & x – Schedule A3c).

**Less: Book Value of Disposed Physical Assets (Line d)**

This line item represents the book value of Physical Assets disposed of during the current reporting period. This represents a reduction in the Equity in Physical Assets because the local government will have reduced its physical assets balance on the Statement of Financial Position (Line y – Schedule A2). The local government simply owns fewer assets.

This is a formula cell that links to the Statement of Financial Activities (Line g1 – Schedule A3a).

**Plus: Other Capital Adjustments (Line e)**

This line item reflects any other adjustments to the Equity in Physical Assets balance over the current reporting period. These are adjustments not reflected in Lines a to d. Also this does **not** include any prior period adjustments, which are captured in Line h.

The most common adjustment would be a **one-time write down** in the value of the physical asset in accordance with PS 3150.33. However, this should **not** include the actual disposition of physical assets, which are included above in Line d.

Amortization of physical assets is another possible entry. However, it should be noted that the Municipal Manual currently recommends amortization **not** be recorded for accounting purposes (Section B). This section may be subject to change in the future.

If the value in this line reduces the Physical Equity, enter a negative number. If the value in this line increases the Physical Equity, enter a positive number.

**Change in Physical Equity (Line f)**

This line item represents the net change in the Physical Equity of the local government over the reporting period (not including any prior period adjustments).

This is a formula driven cell and equals:

*Line a (Capital Expenditures) – Line b (Proceeds from Issue of Debt) + Line c (Principal Payments & Actuarial Adjustments) - Line d (Book Value of Disposed Physical Assets) + Line e (Other Capital Adjustments).*

**Equity in Physical Assets at the Start of the Year (Line g)**

This line item represents the physical equity balance at the beginning of the accounting period. These numbers should be taken from the ending balance of last year's LGDE form.

**Prior Period Adjustments (Line h)**

A prior period adjustment is a restatement of prior year's financial statements due to either a change in accounting policy or correction of a prior period error (PS 2120.35).

All prior period adjustments to the physical equity should be shown on this line item. **Aside:** any prior period adjustments that affect the Financial Equity are dealt with in the Statement of Financial Activities (Schedule A3c – Line ac2).

Any prior period adjustments that result in a reduction to the opening balance of the Physical Equity should be entered as a negative value.

**Caveat:** The Ministry may request further detailed information on the prior period adjustments if the total amount in this line exceeds **5%** of the opening fund balances in Line g – Schedule A5.

**Revised Physical Equity Balance at the Start of the Year (Line i)**

This line item is the total value of the Physical Equity at the start of the accounting period, including any prior period adjustments. This is a formula cell and equals:

*Line g (Equity in Physical Assets at Start of Year) plus Line h (prior period adjustments)*

**Equity in Physical Assets at End of Year (Line j)**

This line item represents the Physical Equity at the Start of the Year (including prior period adjustments) (Line i) **plus** any Changes in Physical Equity for the current reporting period (Line f).

The amount in this line item should reconcile with the Equity in Physical Assets in the Statement of Financial Position (Line aa - Schedule A2).

## 6. Debt Schedules

This part of LGDE tracks the total debt level of a local government that arises from adopted bylaws in accordance with sections 822 (short-term capital borrowing) and 823 (loan authorization bylaw) of the *Local Government Act* or S.236 (borrowing bylaw) of the *Vancouver Charter*. This part of LGDE also tracks any other long-term commitments that may not be included in the Statement of Financial Position.

### **6 (a) Analysis of Authorized Debenture Debt – Schedule B1**

This schedule provides a check of the amount of debt reported in long-term liabilities on the Statement of Financial Position as well as providing detail regarding the total amount of authorized but unissued borrowing.

#### **Total Debt Issued (Line a)**

Totals long-term debt issued by the regional district and MFA. This is a formula cell and equals the total from Lines a1, a2, a3 and a4 of Schedule B1.

#### **Unmatured Long Term Debenture Debt Issued by the Local Government (Line a1)**

For regional districts, this line item should equal the unmaturred portion of debt issued under the authority of a loan authorization bylaw (S. 823) but not issued through the MFA or interim financing. This would generally include borrowing under the authority of a loan authorization bylaw that is done through a government loan program (e.g. CMHC loans and Downtown Revitalization loans).

Also, if a local government has inherited improvement district debt, the remaining balance of this debt may be included in this line.

#### **Unmatured Long Term Debenture Debt Issued by the MFA for RD (Line a2)**

This line item should equal the unmaturred portion of debt issued through the MFA for regional district services under section 819. This is strictly limited to debenture issues under the authority of a loan authorization bylaw and should not include any interim capital financing through the MFA.

This should not include debt issued on behalf of member municipalities (section 824), which is recorded in Line a3.

#### **Unmatured Long Term Debenture Debt Issued by the MFA for Member Municipalities (Line a3)**

This line item should equal the unmaturred portion of regional debt issued through the MFA for member municipalities under section 824 of the *Local Government Act*. This is strictly limited to debenture issues under the authority

of a municipal loan authorization bylaw and should not include any interim capital financing through the MFA.

**Short Term Capital Borrowing (STCB) – Amount Issued (Line a4)**

Include in this line the total amount borrowed under section 822 of the *Local Government Act* less the balance repaid to date. Do not include any amounts authorized under section 822 that are not actually borrowed (this is addressed in Line b3).

**Total Debt Authorized but Unissued (Line b)**

This line item is the total debt authorized by loan authorization/STCB bylaws but not issued by security issuing bylaws. This is a formula cell that totals lines b1, b2 and b3.

**Authorized but Unissued Long Term Debt for RD (Line b1)**

Authorized but unissued borrowing occurs where a regional district has the authority to borrow for regional services under bylaw (section 823 of the *Local Government Act*), but has not yet issued securities under section 819 of the *Local Government Act* or received a loan under a government loan program. This amount represents legally authorized, but unutilized, borrowing authority of the local government.

This amount also includes any interim financing under the authority of a loan bylaw that has not yet been rolled into a security issuing bylaw.

**Authorized but Unissued Long Term Debt for Member Municipalities (Line b2)**

This is borrowing authority for member municipalities established under a municipal loan authorization bylaw (section 179 of the *Community Charter*), which has not yet gone to security issuing through the regional district under section 824 of the *Local Government Act*.

**Authorized but Unissued Short Term Capital Borrowing – STCB (Line b3)**

This line represents the total regional borrowing authority approved by bylaw under section 822 of the *Local Government Act* that has not yet been borrowed under Line a4 (Short Term Capital Borrowing). As the debt has not yet been incurred, it is not captured in the Statement of Financial Position.

**Total Debt (Line c)**

This is the total of all authorized debt whether issued or not (equal to Line a plus Line b).

## 7. Statistics Schedules

### 7(a) Schedule C1 – General Statistics

#### **A. Development Information**

This section deals with both building permit and business license information. All information is for **rural areas only** this does **not** include municipal areas unless the RD is providing the service for a municipality.

##### **1. Number of Building Permits Issued in Year**

This represent the total number of building permits issued in accordance with sections 797.1(1)(b) and 694 of the *Local Government Act*.

Residential – All permits issued for building residential properties (residential being defined as Class 1 properties under regulation to the *Assessment Act*).

Industrial/Agricultural – All permits issued for building of industrial or agricultural facilities (defined as Classes 4, 5 and 9 properties under regulation to the *Assessment Act*).

Commercial - All permits issued for building of commercial facilities (defined as Class 6 properties under regulation to the *Assessment Act*) except any institutional properties.

Institutional – All permits issued for building facilities for delivering government services (either directly or indirectly) and include government offices; hospitals; seniors housing; and primary, secondary and post secondary education facilities.

Other – Building permits issued for any other types of development that do not fit into the above categories.

##### **2. Total Building Permit Value**

This is the total dollar value of all building permits issued during the reporting period.

##### **3. Total Building Permit Construction Value**

This is the total value of all improvements constructed during the reporting period.

##### **4. Number of Business Licenses Issued in Year**

The total number of business licenses issued by the board during the reporting period. In most cases regional districts do not have the authority to issue business licences. However, in some cases certain regional districts may issue licenses under special legislative authority.

#### **B. Number of Fire Hydrants**

Total number of fire hydrants located within the boundaries of regional water distribution services. Regional water distribution does **not** include bulk supply.

### **C. Distance of Pipes**

This is the total distance of pipes for water, sewer and storm drainage within the regional service boundaries (does not include pipe that is under the operating authority of a member municipality for municipal purposes). The pipes are broken down into categories depending on whether they are mains or secondary lines **and** based on the purpose of the piping (water, sewer, drainage). If the drainage system cannot be separated from the sewer system, include both drainage and sewer together under the line labelled “Sanitary Sewer Pipes.”

### **D. Water Systems**

The following information is for all water systems under the authority of the regional district.

Water works systems are systems for water supply including source, treatment, storage, transmission and distribution facilities where water is furnished or offered for domestic/commercial purposes (as defined under Section 1 of the *BC Safe Drinking Water Regulation* --- BC Reg. 120/2001). These include (but are not limited to) mains, distribution lines, intakes, wells, reservoirs, pressure reducing valves (PRVs), pumphouses and treatment and disinfection facilities.

This table is divided into three columns based on the source of water (surface, ground, and combined).

- Surface Water – water from a source open to the atmosphere and includes streams, lakes, rivers, creeks, springs and shallow wells (under direct influence from surface water(s) as defined under the *Safe Drinking Water Regulation*).
- Ground Water – water below the surface of the ground (except shallow wells) as defined under the *Water Act*.
- Combined Water – water from both surface and ground sources.

#### **Number of Systems**

Some regional districts may be responsible for multiple water systems. Identify each separate system based on raw water source (column).

#### **Level of Treatment**

##### **% Water Receiving Disinfection**

Based on total annual potable water supplied by the regional district, identify percentage of water under each column that receives disinfection.

Disinfection means a treatment process that kills or inactivates organisms which are infectious or injurious to human health. These include, but are not limited to, the use of chlorine, chloramine, chlorine gas, Ultra Violet light, and Ozone.

**% Water Receiving Additional Treatment**

Based on total annual potable water supplied by the regional district, identify percentage of water supplied, under each column that receives additional treatment.

Additional treatment means any physical, biological or chemical process which makes water potable, in addition to disinfection. These include, but are not limited to flocculation, coagulation, filtration, activated carbon, iron/manganese removal and pH control.

**Number of Intakes and Wells**

This is the site of raw water extraction. A water works system may have one or many intakes/wells. Under each column, identify the total number of intake(s) and well(s).

**Number of Service Connections –**

This is the number of property connections to the water system.

***Residential***

Total number of system connections to residential properties (i.e. Class 1 properties under the *Assessment Act*)

***Commercial and Other***

Total number of connections to commercial and other properties (schools, hospitals, other institutions) identified by water source. This is all connections excluding residential and industrial/agricultural properties.

***Industrial/Agricultural***

Total number of system connections to industrial & agricultural properties (i.e. Class 4, 5 and 9 properties under the *Assessment Act*).

**Average Daily Flow (m<sup>3</sup>/day)**

Based on total potable water supplied by the regional district, calculate average daily flow (cubic metres per day) for each column for each type.

***Residential***

Average daily flow to residential properties (i.e. Class 1 properties under the *Assessment Act*)

***Commercial and Other***

Average daily flow to commercial and other properties (schools, hospitals, other institutions) identified by water source. This is all connections excluding residential and industrial/agricultural properties.

***Industrial/Agricultural***

Average daily flow to industrial & agricultural properties (i.e. Class 4, 5 and 9 properties under the *Assessment Act*).

**% of Surface Water from a Combined System**

For the last column “Combined Surface/Ground” water source, please provide the percentage of combined source water that comes from a surface source (not a ground source). A reasonable estimate is acceptable.

**% of Total Water that Comes from Surface and Ground Sources**

This is a calculated field that estimates the total percentage of water from surface and ground sources based on average daily flows and the percentage of combined source water (surface/ground) from a surface source.

The formula is equal to:

$$\text{Surface Water} = \frac{(a + (c \times d))}{a + b + c}$$

$$\text{Ground Water} = \frac{[b + (c \times (1-d))]}{a + b + c}$$

**Where:**

- a = Average daily flow from surface water sources
- b = Average daily flow from ground water sources
- c = Average daily flow from combined water sources
- d = % of combined water from a surface source

**E. Sewer Systems**

The following information is for all sewer systems under the authority of the regional district.

A sewer system means any facility or work that gathers, treats, transports, stores, utilizes or discharges sewage or reclaimed water (as defined under Section 1 of the *Waste Management Act* Municipal Sewage Regulation --- BC Reg. 129/99). These include (but are not limited to) mains, collector lines, pumps, outfalls and facilities for storage, treatment, reuse/recycling and disposal.

This may also include storm sewer infrastructure if it is not separate from the sanitary sewer system.

This table is divided into four columns based on the level of sewage treatment (preliminary, primary, secondary, and tertiary)

- Preliminary – generally refers to screening and grit removal.
- Primary – any form of treatment, excluding dilution, that consistently produces an effluent quality with a 5-day biochemical oxygen demand (BOD<sub>5</sub>) not exceeding 130 mg/L and total suspended solids level (TSS) not exceeding 130 mg/L.
- Secondary - any form of treatment, excluding dilution, that consistently produces an effluent quality with a 5-day biochemical oxygen demand (BOD<sub>5</sub>)

not exceeding 45 mg/L and total suspended solids level (TSS) not exceeding 45 mg/L, except for lagoon systems for which the effluent quality is not to exceed a BOD<sub>5</sub> of 45 mg/L and a TSS of 60 mg/L.

- Tertiary – means any form of treatment, excluding dilution that provides the removal of phosphorus (can also include nitrogen removal).

### **Number of Systems**

Classify each separate system by the highest level of treatment produced

### **% of Final Effluent Receiving Disinfection**

Percentage of effluent from each system (column) that receives disinfection. **Disinfection** is defined as the destruction, inactivation or removal of pathogenic micro organisms by any means. Disinfection usually takes place at the end of the treatment process.

### **Discharge/Outfall**

A discharge/outfall is a site where liquid waste is introduced into the environment from the waste system.

For each column in the table, please describe this site as one or more of the following: Marine, Fresh, In Ground, and/or Reclaimed.

- Marine – describes an open marine water which is all ocean water with appropriate flushing action.
- Fresh – includes all non-marine surface water including streams, lakes, rivers, creeks, and springs. This also includes any marine water with insufficient flushing action (e.g. embayed marine waters).
- In Ground – refers to the discharge of effluent sub-surface as described in the Municipal Sewage Regulation --- BC Reg. 129/99.
- Reclaimed – refers to any effluent from a sewage facility that is suitable for direct designated water use or controlled use.

### **Number of Service Connections –**

This is the number of property connections to the sewer system.

#### ***Residential***

Total number of system connections to residential properties (i.e. Class 1 properties under the *Assessment Act*)

#### ***Commercial and Other***

Total number of system connections to commercial and other properties (schools, hospitals, other institutions). This is all connections excluding residential and industrial/agricultural properties.

#### ***Industrial/Agricultural***

Total number of system connections to industrial & agricultural properties (i.e. Class 4, 5 and 9 properties under the *Assessment Act*).

**Average Daily Flow (m<sup>3</sup>/day)**

Average daily flow into the treatment facility(s), calculated for each treatment level (column).

**Liquid Waste Management Plan**

Complete with 'yes'/'no'/or 'in progress', as to the status of the regional LWMP.

## APPENDIX A – LIBRARIES AND THE LOCAL GOVERNMENT REPORTING ENTITY

Summary of How Different Libraries Should be Treated Relative to the Local Government Reporting Entity

Library	Accountability	AND	EITHER		Conclusion: Is the Library Part of the Local Govt Reporting Entity?
			Ownership	Control	
Integrated Public Library	Yes		Yes	Yes	<b>Yes – for RDs</b>
Municipal Library	Yes		No	Yes	<b>Yes – for Mun</b>
Regional Library District	No		No	No	<b>No</b>
Public Library Association	Yes		No	No	<b>No</b>

*Also, there is another entity called Library Federation. These are loose federations of different library boards established under agreement. A federation provides a formal body through which several boards can cooperate on matters of service delivery. Library Federations are not part of any local government reporting entity.*

### DETAILS OF ACCOUNTING TREATMENT OF LIBRARIES

Category	Accountability	Ownership	Control
<i>Criteria</i>	<ul style="list-style-type: none"> <li>* Organization receives operating authority from local government.</li> <li>* Organization is financially dependent on local government.</li> <li>* Organization is regulated by local government.</li> </ul>	<ul style="list-style-type: none"> <li>* Majority of voting shares in the organization are owned by the local government.</li> <li>* Majority of the organization's net assets are owned by the local government. (Ownership does not include a transfer agreement of net assets in the event of the dissolution of the organization.)</li> </ul>	<ul style="list-style-type: none"> <li>* The local government determines the revenue raising, resource allocation, and expenditure policies of the organization.</li> <li>* The local government appoints the majority of the organization's board (or senior management).</li> <li>* The above local government authority is exercised without senior government approval or assent of the electors.</li> </ul>
<b>Integrated Public Library System</b>	* These are libraries run as regional district local service areas (Includes the Thompson and Cariboo Library Systems).	* The RD owns all net assets of the library.	<ul style="list-style-type: none"> <li>* The RD deals with all the staffing of the libraries (library employees are employees of the RD).</li> <li>* Library budget is a service component of the RD budget.</li> </ul>

Category	Accountability	Ownership	Control
<i>Criteria</i>	<ul style="list-style-type: none"> <li>* <i>Organization receives operating authority from local government.</i></li> <li>* <i>Organization is financially dependent on local government.</i></li> <li>* <i>Organization is regulated by local government.</i></li> </ul>	<ul style="list-style-type: none"> <li>* <i>Majority of voting shares in the organization are owned by the local government.</i></li> <li>* <i>Majority of the organization's net assets are owned by the local government. (Ownership does not include a transfer agreement of net assets in the event of the dissolution of the organization.)</i></li> </ul>	<ul style="list-style-type: none"> <li>* <i>The local government determines the revenue raising, resource allocation, and expenditure policies of the organization.</i></li> <li>* <i>The local government appoints the majority of the organization's board (or senior management).</i></li> <li>* <i>The above local government authority is exercised without senior government approval or assent of the electors.</i></li> </ul>
Integrated Public Library System (Opinion)	The library is not independent of the RD financial reporting structure. Therefore, <u>it is financially accountable to the RD.</u>	<u>The regional district owns all the net assets of the library.</u>	The library service is administered through the regional district. <u>Therefore it is controlled by the regional district.</u>
<b>Municipal Libraries</b>	<ul style="list-style-type: none"> <li>* <u>Established by the municipality.</u></li> <li>* Library may establish its own rules for regulating its facilities.</li> <li>* <u>Library requires municipal approval to enter into lease agreements.</u></li> <li>* Library may sue or be sued.</li> <li>* <u>Municipality has the final approval of the library budget.</u></li> </ul>	<ul style="list-style-type: none"> <li>* Library establishment does not involve shares.</li> <li>* Library owns all assets it acquires; assets vest with local government in case of dissolution.</li> </ul>	<ul style="list-style-type: none"> <li>* <u>Board members are appointed by the municipality.</u></li> <li>* A municipality may remove a board member for cause.</li> <li>* Library sets its own business and management policies.</li> <li>* Libraries may hire and dismiss employees.</li> <li>* Libraries have exclusive control over all expenditures approved in the budget.</li> </ul>
Opinion on Municipal Libraries	A municipal library is ultimately accountable to a municipality for approval of its budget. Therefore, <u>it is financially accountable to the municipality.</u>	The library owns all its net assets and <u>therefore is not owned by the municipality.</u>	The majority of the library board is appointed by the municipality and <u>therefore it is controlled by the municipality.</u>

Category	Accountability	Ownership	Control
<i>Criteria</i>	<ul style="list-style-type: none"> <li>* <i>Organization receives operating authority from local government.</i></li> <li>* <i>Organization is financially dependent on local government.</i></li> <li>* <i>Organization is regulated by local government.</i></li> </ul>	<ul style="list-style-type: none"> <li>* <i>Majority of voting shares in the organization are owned by the local government.</i></li> <li>* <i>Majority of the organization's net assets are owned by the local government. (Ownership does not include a transfer agreement of net assets in the event of the dissolution of the organization.)</i></li> </ul>	<ul style="list-style-type: none"> <li>* <i>The local government determines the revenue raising, resource allocation, and expenditure policies of the organization.</i></li> <li>* <i>The local government appoints the majority of the organization's board (or senior management).</i></li> <li>* <i>The above local government authority is exercised without senior government approval or assent of the electors.</i></li> </ul>
<b>Regional Library Districts</b>	<ul style="list-style-type: none"> <li>* Establishment of library requires approval of the Provincial Cabinet.</li> <li>* Library has full contracting authority and may sue or be sued.</li> <li>* Library has full authority in setting its budget (requires no municipal or RD permission).</li> <li>* Library requisitions participating local governments (local governments only act as collectors).</li> </ul>	<ul style="list-style-type: none"> <li>* Library establishment does not involve shares.</li> <li>* Library owns all assets it acquires; assets vest with local government in case of dissolution.</li> </ul>	<ul style="list-style-type: none"> <li>* Two or more municipalities (plus one or more RDs) appoint board members; no one municipality or RD controls the board.</li> <li>* Library sets its own business and management policies.</li> <li>* Libraries may hire and dismiss employees.</li> <li>* Library may establish committees.</li> <li>* Library may acquire and dispose of land or buildings.</li> <li>* Libraries have exclusive control over all expenditures approved in the budget.</li> </ul>
Regional Library Districts (Opinion)	A regional library district is financially and administratively independent of any one local government. Therefore, <u>it is <b>not</b> financially accountable to a local government.</u>	The library owns all of its net assets and <u>therefore is <b>not</b> owned by the local government.</u>	The library board is not appointed by a single local government. The board also exercises independent control over revenue, resource allocation and expenditures. <u>Therefore it is <b>not</b> controlled by a local government.</u>

Category	Accountability	Ownership	Control
<i>Criteria</i>	<ul style="list-style-type: none"> <li>* <i>Organization receives operating authority from local government.</i></li> <li>* <i>Organization is financially dependent on local government.</i></li> <li>* <i>Organization is regulated by local government.</i></li> </ul>	<ul style="list-style-type: none"> <li>* <i>Majority of voting shares in the organization are owned by the local government.</i></li> <li>* <i>Majority of the organization's net assets are owned by the local government. (Ownership does not include a transfer agreement of net assets in the event of the dissolution of the organization.)</i></li> </ul>	<ul style="list-style-type: none"> <li>* <i>The local government determines the revenue raising, resource allocation, and expenditure policies of the organization.</i></li> <li>* <i>The local government appoints the majority of the organization's board (or senior management).</i></li> <li>* <i>The above local government authority is exercised without senior government approval or assent of the electors.</i></li> </ul>
<b>Public Library Associations</b>	<ul style="list-style-type: none"> <li>* Library has independent authority to raise funds how it sees fit.</li> <li>* <u>Many library associations are reliant on grant funding from local governments.</u></li> <li>* Library has full contracting authority and may sue or be sued.</li> <li>* Library has full authority in setting its budget (requires no municipal or RD permission).</li> </ul>	<ul style="list-style-type: none"> <li>* Library establishment does not involve shares.</li> <li>* Library owns all assets it acquires; assets vest with local government in case of dissolution.</li> </ul>	<ul style="list-style-type: none"> <li>* The majority of the board members are elected from members of an independent library association.</li> <li>* Library sets its own business and management policies.</li> <li>* Libraries may hire and dismiss employees.</li> <li>* Library may establish committees.</li> <li>* Library may acquire land or buildings (including leases).</li> <li>* Libraries have exclusive control over all expenditures approved in the budget.</li> </ul>
Public Library Associations (Opinion)	A public library association is ultimately accountable to a municipality for funding through grants (most cannot function independently without the grant funding). Therefore, <u>it is financially accountable to the municipality.</u>	The library owns all its net assets and <u>therefore is <b>not</b> owned by the local government.</u>	The majority of the library board is not appointed by a single local government. The board also exercises independent control over revenue, resource allocation and expenditures. <u>Therefore it is <b>not</b> controlled by a local government.</u>

## Index

### A

Accounting Policies .....	9, 54, 58
Accounting Principles .....	9
Accounts Payable.....	18
Accounts Receivable.....	14, 15
Accrued Liabilities.....	18
Actuarial Adjustments .....	21, 36, 41, 53, 54, 57, 58
Agricultural Development.....	47
Airport Function .....	48, 50
Allowance for Doubtful Accounts .....	14
Allowances.....	14, 15, 31, 37
Amortization .....	25, 35, 40, 58
Appropriated Surplus .....	28
Asset Valuation.....	15, 31
Audited Financial Statements .....	9
Auditor.....	11

### B

Building Permits .....	<i>See Permits</i>
Buildings .....	25, 26, 29, 38, 42, 45, 48, 56, 62, 70, 71
Business Improvement Areas.....	47
Bylaw Enforcement .....	45

### C

Canadian Institute of Chartered Accountants.....	9
Cash .....	14
Cemeteries .....	50
Contingencies.....	20
<i>Culture</i> .....	32, 48, 49

### D

Debenture.....	<i>See Long Term Debt</i>
Debt Payments	
Actuarial Adjustments.....	21, 36, 41, 53, 54, 57, 58
Interest.....	36, 41, 44, 45, 46, 47, 48, 49, 50, 51
Principal .....	52
Deferred Revenue .....	19, 35
Development Cost Charge .....	<i>See Restricted Revenue</i>
Development Services .....	47, 48
Dispose (Physical and Financial Assets).....	25, 28, 31, 35, 37, 38, 41, 42, 51, 58
Drainage (also Storm Sewer) .....	26, 37, 42, 47, 48, 50, 63, 65

### E

Engineering Structures.....	26, 27, 42
Equipment.....	14, 25, 26, 29, 42, 46, 48
Equity	
<i>Capital Fund</i> .....	29
Equity in Financial Assets.....	28, 29, 38, 40
Equity in Physical Assets .....	13, 28, 29, 38, 52, 54, 57, 58, 59
<i>Operating Fund</i> .....	28
Reserve Accounts.....	28, 56
Reserve Fund.....	11, 18, 28, 29, 56

Unfunded Liabilities.....	28, 54
Expenditure	
Capital.....	40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 57, 58
Functional Expenditure .....	40
Interest.....	36, 41, 44, 45, 46, 47, 48, 49, 50, 51
Operating Expenditure .....	41, 49, 50
<b>F</b>	
Federation of Canadian Municipalities .....	35
Financial Assets .....	13, 14, 15, 16, 17, 24, 25, 28, 29, 31, 35, 37, 38, 40, 51
Fines.....	14, 32
Fire Protection Function .....	44
<b>G</b>	
Gains or Losses .....	22, 31, 35, 37, 38, 41
General Administration.....	40, 43
Goodwill .....	27
Government Business Enterprise .....	10, 16, 20, 35, 39
Government Business Partnership .....	16
Grants.....	<i>See Transfers</i>
<b>H</b>	
Health Support .....	47
Hospital District.....	31
Housing.....	32, 47, 62
<b>I</b>	
Improvement District Debt .....	60
Infrastructure.....	26, 33, 34, 37, 48, 65
Insurance .....	39
Inventories .....	14, 16
Inventory (Property Held for Resale).....	16, 25, 38, 40
Investment Income.....	35, 36, 37, 41, 53
Investments .....	14, 16, 35
<b>L</b>	
Land Acquisition.....	42
Land Title Fees .....	42
Land Use Planning.....	47
Leases	
Capital.....	21, 22, 25, 28, 41, 52, 57
Operating.....	21, 37, 38, 41
Sale-Leaseback Transactions .....	22
Legislative Operations .....	44
Library .....	33, 68, 69, 70, 71
Licenses .....	62
Liquid Waste Management Plan .....	67
Loan Guarantees .....	20
Loans Receivable.....	15
Long Term Debt	
Debenture Debt .....	11, 19, 20, 36, 52, 53, 60
Proceeds from the Issue of Debt .....	31, 53
Short Term Capital Borrowing.....	11, 18, 20, 60, 61
Sinking Funds .....	19, 20, 28, 29, 35, 36
Third Party Borrowing .....	20
Losses .....	<i>See Gains or Losses</i>

**M**

MFA Debt Reserve .....	See Restricted Revenue
MFA Deposit Notes .....	15, 19
Modified Equity Method.....	10, 16
Multipurpose Facilities .....	41, 43, 56

**N**

Net Financial Assets .....	13, 24, 27, 28, 30, 51
Net Operating Revenue.....	30, 51, 52, 53
Net Recoverable Value .....	15
Net Total Assets.....	13, 27, 28, 29

**O**

Overhead .....	42
----------------	----

**P**

<i>Parkland</i> .....	19, 25, 37
Payments in Place of Taxes .....	See Tax
Payroll Obligation	
Compensated Absences.....	23
Post-employment Benefits .....	23
Termination Benefits.....	23, 24
Pensions .....	23
Permanent Impairment.....	14, 16, 37
Permits .....	62
Physical Assets	
Defined.....	25
Donated .....	25, 42
Improved .....	42
Traded .....	42
Police .....	40, 43, 44, 45
Prepaid Expenses .....	14
Prior Period Adjustments .....	53, 54, 55, 58, 59
Professional Fees .....	42
Property Held for Resale.....	See Inventory
PSAB Test .....	30
Public Authorities .....	18, 32, 33, 34, 35
Public Sector Accounting Board (PSAB) .....	9, 10, 11, 25, 30, 36

**R**

<i>Receivables from Other Governments</i> .....	14
Recreation .....	41, 43, 49, 56
Recycling .....	26, 32, 46, 50, 65
Rental Income .....	32, 35
Reporting Entities .....	10, 29, 33, 40, 68
Requisitions .....	24, 31, 33, 34, 35, 70
Reserve Account .....	See Equity
Reserve Fund .....	See Equity
Restricted Revenue	
<i>Developer Cash Contribution in Lieu of Parkland</i> .....	19, 37
<i>Development Cost Charges</i> .....	19, 37, 56
MFA Debt Reserve .....	15, 18, 19
Revenue	
Definition .....	31
Roads (Transportation and Transit) .....	19, 26, 37, 42, 48

**S**

Salaries, Wages and Benefits ..... 23, 30, 41  
 Sale of Service ..... 32  
 School Act..... 31  
 School District ..... 15, 31, 33, 35  
 Security Systems ..... 27  
*Sewer Systems/Services*..... 32, 50  
 Short Term Capital Borrowing ..... *See Long Term Debt*  
 Sinking Fund..... *See Restricted Revenue*  
 Social Services ..... 47  
 Solid Waste Management (Landfill)..... 22, 30, 46  
 Statement of Equity in Physical Assets..... 11, 28, 31, 37, 38, 40, 42, 53, 57  
 Statement of Financial Activities  
     Definition ..... 28, 30  
     [Statement of Expenditures](#) ..... 40  
     [Statement of Fund Balances](#) ..... 52  
     [Statement of Revenue](#) ..... 31  
 Storm Sewer..... *See Drainage*

**T**

Tax  
     Payments in Place of Tax (PIP) ..... 31, 32, 33  
 Temporary Borrowing  
     Interim Financing ..... 18, 20, 42, 60, 61  
     Revenue Anticipation Borrowing..... 18  
 Transfers  
     Conditional Transfers ..... 14, 18, 29, 31, 33, 34  
     Cost Sharing ..... 33  
     Entitlements ..... 33  
     Grants ..... 14, 15, 18, 30, 31, 33, 34, 37, 71  
     Internal Transfers ..... 31, 33, 40, 43, 52, 54  
     Unconditional Transfers ..... 14, 18, 31, 33, 34  
 Treasurer/Auditor Certification..... 11  
 Trust Funds ..... 10, 28

**U**

User Fee ..... 30  
 Utilities (Telephone, Gas and Electricity)..... 50

**W**

Water System/Service ..... 26, 32, 49, 50, 63, 64  
 Wharves ..... 48, 50  
 Work in Progress ..... 25

**Z**

Zoning..... 47

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