

Municipal LGDE Help Manual

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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 will be 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 will be published on the Ministry web site.

The LGDE forms are to be prepared in accordance with principles and standards set out in this manual. The LGDE forms can be found on the Local Government Information System (LGIS) website at www.localgovernmentinformationsystem.gov.bc.ca/LGIS.

Should you have any questions or comments please contact Ministry staff at:

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2. General Reporting Requirements for Local Governments in B.C.

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.167(1) *Community Charter*). Section 167(4) of the *Community Charter* requires all local governments in British Columbia to prepare financial statements, and submit annual financial information to the Inspector of Municipalities by May 15 of the year following the end of the fiscal year.

PSAB Requirements

Section 167(2) of the *Community Charter* requires 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).

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

The Canadian Institute of Chartered Accountants
277 Wellington Street West
Toronto, ON M5V 3H2
Tel.: 1-800-268-3793
Web Address: 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. In order to bring greater consistency to financial reporting, the Ministry revised the LGDE program to better reflect PSAB financial presentation. Beginning in January 2009 local governments were required to adopt a number of additional accounting standards including PSAB 3150 – Tangible Capital Assets. PSAB 3150 required a number of new reporting requirements for local governments, including amortization of tangible capital assets. The Ministry updated the LGDE in 2008 in advance of the adoption in order to reflect this new change in reporting requirements.

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 consolidated financial information of the local government reporting entity, which is comprised of all the organizations that are controlled by the government. (PS 1300.07).

- **Control** – is the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. (PS. 1300.08).

Please refer to **Appendix A** at the end of this Help Manual. This appendix gives an example of using PSAB 1300 to determine whether an organization is considered part of the reporting entity. It shows the treatment different types of libraries, relative to the local government reporting entity, based on the above criteria of control.

Government Business Enterprises

A Government Business Enterprise (PS 1300.28) 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
- its principal activity is the sale of goods or services to parties other than the local government or its organizations
- the revenue that it receives from outside (the reporting entity) sales and transfers is sufficient to maintain operations and meet liabilities.

Government Business Enterprises are the only organization within the government reporting entity that should not be consolidated. Instead, the modified equity method (PS 3070) of accounting should be applied. Government business enterprises that are controlled by the local government should be included in the LGDE (there are specific lines for both the equity and the income). (PS 1300.35).

Trust Funds

Trusts are defined as property that has been conveyed or assigned to a trustee to be administered as directed by agreement or statute. In a trust relationship, the trustee holds title to property for the benefit of, and stands in a fiduciary relationship to, the beneficiary. (PS 1300.41). As a trustee responsible for administering a trust, the local government is accountable to third parties for the use and disposition of assets and should not be included in the local government reporting entity (i.e. cemetery trusts).

Often, the term “trust” is applied to assets earmarked for a specific use by local government policy decisions when no trust liabilities actually exist. In this case, these assets are considered part of the local government reporting entity and should be consolidated (PS 1300.46).

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 a certification form that states the LGDE forms are prepared in accordance with GAAP for local governments, and are in agreement with the accounting records. The form is to be signed by the auditor if the auditor prepared the LGDE forms instead of the treasurer.
- **Schedule A2** – Statement of Financial Position – This is a statement of the assets, liabilities, non-financial assets, and accumulated surplus of the local government.
- **Schedule A3** – Statement of Operations – This is a statement of the revenues and expenses of the local government.
- **Schedule A4** – Statement of Property Taxation – This statement records the total property taxes collected by the municipality (and nets out any levies for other jurisdictions – e.g. school board). This statement also records other forms of property taxation including parcel tax, business tax and payments in place of taxation. In addition, this schedule tracks the imposition and collection of total taxes including the balance of taxes receivable.
- **Schedule A5** – Statement of Changes in Net Financial Assets / Net Debt – This statement records the changes in net financial assets over the reporting year.

Unlike PSAB reporting requirements, there is no **Statement of Cash Flows** in the LGDE forms. The Statement of Cash Flows reports the changes in a local government's cash position during an accounting period (PS 1200.099) resulting from operating, capital, investing, 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 is more concerned with the overall liquidity of the local government (as can be obtained from the Statement of Financial Position – Schedule 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.
- **Schedule B2** – Other Commitments not Included in Schedule A2 – This is a roll up schedule that includes any material commitments of the local government that are not included in the Statement of Financial Position.
 - **Schedule B2a** – Loan Guarantees Under Bylaw.
 - **Schedule B2b** – Loan Guarantees Under Agreement.
 - **Schedule B2c** – Agreements not on Other Schedules.
 - **Schedules B2d, e & f** – Long-Term Agreements – specific contracts for goods, tangible assets and/or services.
- **Schedule B3** – Liability Servicing Limit

Part C – Statistics and Other Information

- **Schedule C1** – General Statistics – non-financial statistics of the local government including: area (ha), distance of roads (km). These statistics are used to assess key non-financial indicators of the local government.
- **Schedule C2** – Home Owner Grant (HOG) Auditor Certification – this schedule records how the HOG was applied to various taxes (school and municipal) and must be signed by both the Chief Financial Officer and the auditor.
- **Schedule C3** – *School Act* Auditor’s Certificate– this schedule requires no data input but does require a signature by the auditor (see below).

Schedules Requiring a Signature

The following schedules must be printed, signed by the appropriate authority and submitted to the Ministry:

- **Schedule A1** – Treasurer/Auditor Certification.
- **Schedule C2** – Home Owner Grant Auditor Certification.
- **Schedule C3** – *School Act* Auditor Certification.

5. Financial Schedules

5(a) – Statement of Financial Position (Schedule A2)

The Statement of Financial Position (Balance Sheet) provides an assessment of the assets, liabilities, and accumulated surplus balances of a local government at the end of the accounting period. The difference between financial assets and liabilities is a good 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 non-financial assets such as tangible capital assets. This 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) Non-Financial Assets
- E) Accumulated Surplus = C+D

5(a)(i). Financial Assets

Financial assets are those assets that can provide resources to discharge existing liabilities or finance future operations (PS 1000.39). Essentially, financial assets are either cash or other assets that can be converted to cash on relatively short notice. Financial assets do not include supply inventories, prepaid expenses, or tangible capital assets.

LGDE Line Definitions

Cash and Investments (Line a)

This includes cash and all investments included in section 183 of the *Community Charter*.

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 *Community Charter* section 183) are grouped into "Other Financial Investments" (Line f).

Taxes Receivable (Line b)

Taxes Receivable contain the total of all taxes (property taxes, parcel taxes and local service area taxes) plus any penalties, interest and charges that have been added to the tax roll, which remain unpaid at the end of the reporting year.

The balance of total taxes receivable must equal the "Balance of Taxes Receivable" line from the Statement of Property Taxation (Schedule A4 – Line j).

The total amount of taxes receivable should be net of any allowances for doubtful accounts.

Receivables are broken down into three broad categories:

Current (Line b1)

All unpaid taxes (plus any accrued interest, penalties and charges) imposed in the **current reporting year**.

Arrears (Line b2)

All unpaid taxes (plus any accrued interest, penalties and charges) imposed in the **previous reporting year**. Specific treatment of taxes in arrears is given under section 245 of the *Community Charter*.

Delinquent (Line b3)

All unpaid taxes (plus any accrued interest, penalties and charges) imposed in the **second previous reporting year**. Specific treatment of delinquent taxes is given under section 246 of the *Community Charter*.

The amounts for each line item above must equal the amounts calculated from the Statement of Property Taxation (Schedule A4 – Line j, columns 1, 2, and 3).

Special Fees and Charges (i.e. some user fees) may be collected as taxes under section 258 of the *Community Charter*.

The taxes receivable balance (current, arrears and delinquent) should be cleared only when a property owner pays the outstanding taxes or when the property is sold to a purchaser or acquired by the local government through the tax sale process (in accordance with Part 16, Division 7 of the *Local Government Act*).

Accounts receivable (Line c)

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 c1)

Governments are defined as "Public Authorities" under section 2 of the *Local Government Act*. (Including government agencies, other local government jurisdictions and school & health jurisdictions)

Receivables from Non-Governments (Line c2)

Includes all accounts receivable not relating to a government body.

MFA Deposits (Line d)

When financing through the Municipal Finance Authority (MFA), local governments must contribute to the debt reserve fund (DRF) in two ways; through a cash payment and through a demand note (*Municipal Finance Authority Act Section 15*).

The cash portion must equal 1% of the total principal borrowed. The demand note must equal the difference between the cash portion and ½ of the total average annual principal and interest installment.

On receipt of the debt, the local government would designate some of the cash received as the cash portion of the DRF. The recording of the cash portion of the debt reserve fund as an asset is necessary to make the transaction balance. Since this amount is already included in the liability of the long-term debt, there is no separately recorded off-set.

The demand note portion of the DRF is a contingency. A contingency is defined as something whose occurrence depends on chance or uncertain conditions; a possible, unforeseen or accidental occurrence. A contingent liability becomes a liability only if and when another event happens.

The demand note will only be recorded as an asset and liability if a local government, under the joint and several agreement of the regional district, defaults on their loan obligation. Under this action of default, the MFA may call the outstanding demand notes of the deficient regional district at which point the demand notes then become both an asset and liability of the associated members. Once the defaulting local government repays in full the defaulted position, the MFA will refund all called demand notes.

Because of its contingent nature, the demand note has several technically acceptable reporting options. It may be recorded as both a liability and an asset on the statement of financial position, it may be disclosed in the notes, or it may not be disclosed at all.

The amount of any liability is easily measurable by the amount of the demand note; however, it is generally unlikely that the funds will be demanded by the MFA. The impact of the financial position of the local government will depend on the situation of each local government individually and should be decided with the assistance of the local government's auditors.

Loans Receivable (Line e)

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.

Local governments have the power to lend money (as a form of assistance) under section 24(1)(b) of the *Community Charter*. These loans may be extended to not-for-profit organizations and public private partnerships as well as for heritage conservation projects (under section 25 (2), of the *Community Charter*).

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 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 Operations as expenses.

Other Financial Investments (Line f)

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*. Investments in government business enterprises (PS 3070) and government business partnerships (PS 3060.32) are **no longer** entered to this line, and are now entered to line i below.

Portfolio investments (PS 3040) are 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.

Property Held for Resale (Line g)

Property Held for Resale should include inventories of goods, or 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 1200.051, 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 be included as a non-financial asset.
- **Land and improvements** not intended for sale to outside parties should be classified as “Tangible Capital Assets” in the Statement of Financial Position.

Tax Sale Property (Line g1)

This includes all land and improvements acquired by the local government through the tax sale process under Part 16 of the *Local Government Act*. The land and/or improvements are recorded at the lower of cost or net realizable value. “Cost” is determined to be either the amount paid for the property (if the local government acquired the property under section 406 of the *Local Government Act*) or the upset price of the property (if the local government acquired the property under section 650 of the *Local Government Act*). The upset price is determined under section 649 of the *Local Government Act*.

If the local government acquires the property and does not wish to resell it, the property should be classified as a “Tangible Capital Asset” on the Statement of Financial Position.

The taxes receivable balance (current, arrears and delinquent from Lines b1, b2, and b3 – Schedule A2) should be cleared when the tax sale property is sold to a purchaser or acquired by the local government.

Other (Line g2)

This includes all inventories of goods, land and improvements (except those acquired through the tax sale process) intended for outside acquisition.

Property costs relating to land and improvements should include acquisition plus any enhancements required to prepare the property for servicing such as basic landscaping.

Municipal infrastructure costs (e.g. water servicing) should be reported as tangible capital assets and therefore not be included in property value.

Other Financial Assets (Line h)

These include any financial asset balances (as defined under PS 1200.051) that are not included in the financial asset categories previously listed. The Ministry reserves the right to request additional information as to the makeup of the “Other Financial Assets” balance.

Government Business Enterprise Equity (Line i)

Investments in government business enterprises (PS 3070) and government business partnerships (PS 3060.33) are entered here. Government business enterprises and government business partnerships are valued using the modified equity method under PS 3070 & 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.

Total Financial Assets (Line j)

This is the sum of Lines a to i and will automatically be filled in.

5(a)(ii) - Liabilities

Temporary Borrowing (and Revenue Anticipation Borrowing) (Line k)

This includes Revenue Anticipation Borrowing (under section 177 of the *Community Charter*), and amounts payable for borrowings from banks or other sources for the purpose of temporary financing (generally within a term of one year or less). This should **not** include either short term capital borrowing (S. 178) or interim financing (S. 181) for capital projects which are classified as long-term debt on Line o of this schedule.

Accounts Payable and Accrued Liabilities (Line L)

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 (Line L1)

This includes balances payable to governments, government agencies (federal, provincial, regional, or municipal), or other public authorities listed under section 2 of the *Local Government Act*, for the purchase of goods or services used by the local government or the citizens at large. Included are outstanding balances of conditional and unconditional grants, taxes owed to a requisitioning authority, subsidies and advances which are due or accrued at the end of the reporting year.

Non-Government (Line L2)

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

Restricted Revenue (Line m)

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 in some cases). PS 3100 provides more detail on Restricted Assets and Revenues. This does **not** include most reserve funds established under Part 6 – Division 4 of the *Community Charter*, 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 m1)

The Debt Reserve Fund (DRF) should be entered as a liability on the LGDE forms if the DRF is designated as a liability in the Financial Statements. See MFA Deposits in Assets – Section 5a of this Help Manual for more information.

Development Cost Charges (Total Line m2)**Water (Line m2a), Sewer (Line m2b), Drainage (Line m2c), Roads (Line m2d), Parks (Line m2e)**

Money in development cost charge reserve funds, together with interest on it, may be used only as set out in Section 566 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 m3)

Section 510 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 (Line m4)

Include deposits, holdbacks and other restricted revenues that are not included in the restricted revenue categories previously listed. For the City of Vancouver and other local governments with internal sinking funds, please include the sinking fund balance in this line item.

Deferred Revenue (Line n)

"Deferred Revenues" are monies received prior to a transaction or event that gives rise to the revenues. Another example of deferred revenue is a prepayment by a resident for a local improvement or a specified area borrowing. 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 o)

"Long Term Debt" is a long term obligation of the local government 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 (either issued from the local government or the MFA – under S. 179 of the *Community Charter*), serial and mortgage loans (under S. 175), short term capital borrowing (under S. 178) and interim financing of capital projects (under S. 181). 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 p, 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 under S.175 of the *Community Charter*. (See PS 3230.05)

b) Sinking Funds – For the City of Vancouver and any local governments that have inherited improvement district debt, there is the possibility that the local government holds sinking funds. These are funds established specifically to retire debenture debt upon maturity. If a municipality has sinking fund debt, the debt should be valued at the gross amount of the long-term debt issued (Line o2, Schedule A2) and the amount of the sinking fund assets should be disclosed as restricted revenue (under Line m4 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 179(1)(c) of the *Community Charter*). 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 estimable and likely to occur. However, detailed information on loan guarantees is collected in Schedules B2a and B2b of the LGDE Reporting Forms. PS 3230 & 3310 provide more information on the treatment of Long Term Debt and Guarantees.

MFA Debt (Line o1)

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

Other Long-Term Debt (Line o2)

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 p)

Leases are included as “liabilities under agreement” as set out in Section 175 of the *Community Charter*. 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 expenses in the Statement of Operations.

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-5 of the Public Sector Accounting Handbook contain information on defining leased tangible capital assets, and sale-leaseback transactions.

MFA Leases (Line p1)

All capital leases currently negotiated with the Municipal Finance Authority of British Columbia.

Other Leases (Line p2)

These are any other capital leases undertaken by the municipality.

Future Obligations (Line q)

This refers to future landfill and employee obligations.

Landfill Closure/Post Closure Liability (Line q1)

If the municipality 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 q2)

This line item deals with those operating areas outlined in Sections PS 1000.44, 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 municipality as either a multiemployer plan or multiple-employer plan (under PS 3250.105).

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

If the municipality 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 municipality is required to contribute under the plan and what it actually contributed in the reporting period.

PS 3250 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 non-contractual) benefits required under downsizing or termination arrangements. The non-contractual 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 (Line r)

"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 property taxes which must be applied to taxes levied in the year following the reporting year.

Total Liabilities (Line s)

The sum of all liability categories (Line k to Line r).

Net Financial Assets (Debt) (Line t)

Total financial assets less total liabilities (Line j minus Line s).

5(a)(iii) - Non-Financial Assets

Tangible Capital Assets are discussed in PS 3150 (Tangible Capital Assets). It now applies to all governments. As a result, the province recommends applying PS 3150 to the treatment of tangible capital assets. A Tangible Capital Asset is a property to be used on a continuing basis for a municipal 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 - Tangible capital assets (whether tax supported or funded through government transfers) are generally reported at cost. Government transfers for the acquisition of real property should be reported as capital revenue. Tangible capital 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 (PSG-2) should be included in physical assets.

Disposition - Disposal of tangible capital assets may occur by sale, destruction, loss or abandonment.

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

Parkland (Line u)

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

Other Land (Line v)

Improved or unimproved land owned by the local government (including rights-of-way and other easements). This also includes municipal forest reserve land under Section 640 of the *Local Government Act*. Do not include land held for resale because it is a financial asset and should be included in Schedule A2 - Line g.

Buildings (Line w)

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 x)

These are generally movable assets used in performing municipal 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 Operations in the year acquired.

Engineering Structures (Line y)

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

Water (Line y1)

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 Drinking Water Protection Regulation --- BC Reg 200/2003). These include (but are not limited to) mains, distribution lines, intakes, wells, reservoirs, pressure reducing valves (PRVs), pump-houses and treatment and disinfection facilities.

Sewer (Line y2)

A sewage system means any facility or work that gathers, treats, transports, stores, utilizes or discharges municipal sewage or reclaimed water (as defined under the *Environmental 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 y3)

These include dikes, ditches, pumps, and watercourses as set out in Section 307 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.

Roads (Line y4)

These include the value of all public roads vested with the municipality including arterial roads, secondary roads, bridges and rights-of-way.

Other (Line y5)

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

Other Tangible Capital Assets (Line z)

This category covers any items not included in the above descriptions but fitting the general requirements of tangible capital assets. This may include but not limited to: amortizable land improvements, work-in-process that is not able to be separated into the above categories and intangible capital assets such as goodwill.

Inventory of Supply (Line aa)

Inventory of supply includes assets

- (a) held for sale in the ordinary course of business;
- (b) in the process of production for such sale; or
- (c) in the form of materials or supplies to be consumed in the production process or in the rendering of services. (CICA 3031.06)

Prepaid Expenses (Line ab)

PS 1200.063 defines a prepaid expense as a cash disbursement or other transfer of economic resources, other than an outlay for inventory or tangible capital assets, before the criteria for expense recognition have been met, that is expected to yield economic benefits over one or more future periods. It is recorded as an asset at the time of incurrence and amortized to expenses over the periods expected to benefit from it. Prepaid expenses generally expire either through the passage of time, such as prepaid rent or insurance, or through use or consumption.

Total Non-Financial Assets (Line ac)

The summation of all non financial assets (Lines u through ab).

Accumulated Surplus / (Deficit) (Line ad)

The sum of the Net Financial Assets (Line t) and the Total Non-Financial Assets (Line ac). Must equal Total Surplus / (Deficit) (Schedule A2 - Line ai).

5(a)(iv) - Accumulated Surplus / (Deficit)

The accumulated surplus or deficit of a local government is equal to the Net Total Assets of a municipality [Net Financial Assets (Line t) plus Total Non-Financial Assets (Line ac)]. The accumulated surplus or deficit is represented by the **Operating Fund, Reserve Funds, Capital Fund** and **Equity in Tangible Capital Assets**.

Operating Fund (Line ae)

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.

Reserve Fund (Line af)

This is all reserve fund balances under Part 6, Division 4 of the *Community Charter* (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 m in Schedule A2). Reserve funds are broken down into three categories: water reserves, sewer reserves, and other reserves. Do not include Reserve Accounts as these are merely a form of appropriated surplus (usually established by council resolution). Also, do not include trust funds that are merely administered by the local government (e.g. Cemetery Trusts) or MFA sinking funds because these are outside the reporting entity of the local government (PS 1300).

Capital Fund (Line ag)

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 Capital Fund 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 Tangible Capital Assets (Line ah). Equity in Tangible Capital Assets is supported by the tangible capital assets in the capital funds of a local government (e.g. buildings and equipment); while the Capital Fund is supported by the financial assets in the capital funds (e.g. cash and receivables).

The Capital Funds is not restricted by bylaw. If any of the funds are restricted by bylaw, they should be classified as Reserve Funds (Line af).

Equity in Tangible Capital Assets (Line ah)

The Equity in Tangible Capital Assets recognizes all transactions and balances relating to the acquisition, construction, removal, improvement and/or disposition of tangible capital assets (Lines u to z – Schedule A2). The Equity in Tangible Capital Assets equals the portion of Tangible Capital Assets that are owned by the local government free of any external financial encumbrances. The Equity in Tangible Capital Assets is approximately equal to the value of the Tangible Capital Assets less the value of any Long-Term Debt (Line o Schedule A2) and Capital Leases (Line p Schedule A2).

Total Surplus / (Deficit) (Line ai)

This is the sum of Operating Fund, Reserve Fund, Capital Fund and Equity in Tangible Capital Assets (lines ae to ah - Schedule A2). This amount must equal Accumulated Surplus / (Deficit) (Schedule A2 – Line ad).

5(b) - Statement of Operations (Schedule A3)

The Statement of Operations provides a summary of the sources, allocations and uses of a municipality's financial resources over the last reporting period.

Revenues and expenses can generally be recorded by either type (the actual form of revenue or expense tool used --- e.g. taxes and salaries) or function (the area of operations --- e.g. water and sewer).

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

All revenues and expenses are loosely based on a standardized municipal chart of accounts set by Statistics Canada.

a) Structure of the Statement of Operations:

A	Revenue (Section 1)
B	Expenses (Section 2)
C=A-B	Annual Surplus / (Deficit)

The annual surplus for a year is used in the reconciliation of the change in Net Financial Assets / Net Debt on form A5.

5(b)(i) - Revenue

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 1000.46, and include, but are not limited to, taxes, fees, grants and external transfers.

External borrowing (including debenture proceeds), internal transfers from other funds, and any appropriations from prior year surpluses are **not** considered revenue. Internal transfers may occur through internal charges, fund transfers, appropriations and financial reporting adjustments.

Revenues are recorded net of any allowances (such as Bad Debt Expenses, Sales Return Allowances and Collection Allowances). 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 Operations in line g (PS 1000.60). Either a positive or negative change may be recognized under “Gain or Loss on Disposition / Revaluation of Financial Assets” Line g.

Definitions

Total Own Purpose Taxation Revenue (including PIPs) (Line a)

This is the sum of all municipal tax levies for the accounting period. It also includes all payments in place of taxes levied against other governments and government agencies.

Total taxes do **not** include collections for other governments (e.g. regional districts, hospital districts and school boards).

This is a pre-calculated cell and reconciles to Schedule A4 – Line f. For more information on how this line item is calculated, please see the Statement of Property Taxation (Schedule A4).

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

This includes all revenues levied under Part 7, Division 2 of the *Community Charter*. 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 from one municipality to another).

This category may include the following services:

Water (Line b1)

-includes supply, treatment and distribution sales revenue

Sewer (Line b2)

-includes collection, treatment and disposal sales revenue

Solid Waste (Line b3)

-includes garbage pickup, landfill and recycling sales revenue

Parks, Recreation and Culture (Line b4)

-includes fees from parks, recreational activities and cultural centres/activities

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 and housing. Also includes: licenses, permits, fines (excluding fines relating to taxation, which are included in Total Own Purpose Taxation (Schedule A3a - Line a)), 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 the schedule of definitions for the *Community Charter*), 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 "Total Own Purpose Tax Revenue" line (Schedule A3 - Line a);
- taxes or other revenue collected by one local government on behalf of another local government (e.g. collection for the regional district);
- 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 estimable (PS 3410.42).

For the purposes of the LGDE reporting form, all transfers are broken down by the level of government (federal, provincial, regional) and the nature of the transfer (conditional or unconditional). Regional governments include, but are not limited to, other municipalities, regional districts, improvement districts, school boards, regional health boards and native bands.

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 municipal 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 Conditional Transfers (Line c1)

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

Federal Government/Agencies Unconditional Transfers (Line c2)

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

Provincial Government/Agencies Conditional Transfers (Line c3)

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

This includes: 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 municipality 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).

Provincial Government/Agencies Unconditional Transfers (Line c4)

"Provincial Government Unconditional Transfers" are transfers from the Provincial Government (or Provincial Agencies) where the municipality has full discretion on the use of funds. This includes Small Community Protection Grants, Traffic Fine Revenue Sharing, and Regional District Basic Grants.

Other Provincial Government Transfers (Line c5)

This line item encompasses other transfers from the Province and provincial government agencies that do not easily fit into the other lines, such as gaming (casino) revenues which are transferred according to the terms of an agreement between the Province and local governments.

Regional and Other External Conditional Transfers (Line c6)

These are transfers from public authorities (other than federal or provincial authorities) and private organizations earmarked for specific programs or projects.

These may include transfers for other local governments, regional districts, school boards, native bands, and improvement districts. Gas Tax Funds should be entered in this line (as the Gas Tax Program is administered by the Union of British Columbia Municipalities (UBCM)). This should only be the funds used during the year and should not include the funds received. This line may also include transfers from other non-public authorities such as the Federation of Canadian Municipalities (Green Municipal Enabling Fund and the Green Municipal Investment Fund).

Regional and Other External Unconditional Transfers (Line c7)

These are transfers from public authorities (other than federal or provincial authorities) and private organizations where the municipality has full discretion on the use of funds.

These may include transfers for other local governments, regional districts, 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 e) and other financial investments (Line f). This usually comprises routine income streams from these investments, including:

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

Investment income should also include any Actuarial Adjustments on Long Term Debt. 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 n1).

Some municipalities 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, it understates the true interest financing costs of a local government. 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.

DR Actuarial Adjustments Receivable	xxx	
CR Investment Income <i>(Actuarial adjustment)</i>		xxx
DR Debentures Payable	xxx	
CR Actuarial Adjustments Receivable	xxx	

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 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 (Line d – Schedule A3). Any reduction or elimination of interest expenditures is simply shown as a reduction in Interest in the Expenditures section of the Statement of Financial Operations.

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 g1 & g2 (for financial assets) or Line h (for tangible capital assets); rental income is recorded on line b6 and income from government business enterprises is recorded on line e. All of these line items are on Schedule A3 (Revenue).

Also, do not include any **investment income** on monies held in **restricted or deferred revenue** funds (Schedule A2 – Lines m & n – 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.

Income from Government Business Enterprise (Line e)

This is income from government business enterprises (PS 3070) and government business partnerships (PS 3060.33). Increases and decreases in Government Business Enterprise Equity are both recorded here.

Developer Contributions (Line f)

These are charges imposed on developers to provide certain municipal 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 m2a to m4).

Development Cost Charges – DCCs (Line f1)

This is development revenue recognized under the authority of a DCC bylaw (Part 14, Division 19 of the *Local Government Act*).

Other Developer Contributions (Line f2)

This includes all other developer contributions (other than DCCs). One such contribution is cash in lieu of parkland under section 510 of the *Local Government Act*. Donations and Contributions from other entities should be included on this line.

Gain or (Loss) on Disposition / Revaluation of Financial Assets (Line g)

This reports any gains or losses from the disposal or revaluing of financial assets (**not** tangible capital assets which report disposals and write-downs in Line h).

“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 municipality 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 g1)

These are gains and losses from any Property Held for Resale (Schedule A2 – Lines g1 and g2).

Other (Line g2)

These are gains and losses associated with all other financial assets (except property held for resale). MFA surpluses/refunds and insurance proceeds are entered here.

Gain / (Loss) on Disposition of Tangible Capital Assets (Line h)

This is the gain or loss recognized from the disposal of a tangible capital asset. It is calculated by the difference between book value at the time of the disposal and any proceeds received from the disposal.

When one tangible capital asset is traded for another asset 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 tangible capital assets (Schedule A3 – Line h).

Write downs of tangible capital assets should also be recognized in this line as a loss equalling the write down amount.

Other Revenue (Line i)

This includes all other revenues not listed above.

Total Revenue (Line j)

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

5(b)(ii) - Expenses

Definition of Expense

Expenses, including losses, are decreases in economic resources, either by way of decreases in assets or increases in liabilities, resulting from the operations, transactions and events of the accounting period (PS 1000.49). Expenses include the cost of economic resources consumed in and identifiable with the operations of the accounting period. For example, the cost of tangible capital assets is amortized to expenses as the assets are used in delivering government programs (PS 3150). Expenses do not include debt repayments or transfers to other governmental units in the government reporting entity (PS 1000.50).

Internal transfers between funds and repayment of debt principal are **not** expenses in the Statement of Operations. Debt principal repayments are recorded in a separate reconciliation schedule for the Analysis of Authorized Debenture Debt and Short Term Capital Borrowing (Schedule B1).

The acquisition of a financial asset (from section 5(a)(i) of this Help Manual - including land held for resale) is **not** an expense. Instead it is considered a simple conversion of one financial asset (e.g. cash) into a different financial asset (e.g. inventory or land held for resale). **Important to note:** the acquisition of tangible capital assets (from section 5(a)(iii) of this Help Manual - including land as a tangible capital asset) is not considered an expense in the Statement of Operations. This is an exchange of a financial asset for a tangible capital asset. When the valuation and amortization method for the tangible capital asset is determined, the amortization of the asset is an expense that flows through the Statement of Operations. The acquisition of tangible capital assets is recorded in The Statement of Changes in Net Financial Assets / Net Debt (Schedule A5).

Functional Expenditures

For reporting purposes, expenses are recorded on a functional basis in accordance with PS 1200.072 (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 expenses from the originating function and a net increase in expenses 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 expenses; there is no recognition of revenue.

Further Cost Breakdown by Expenditure Type (Operating, Interest and Amortization)

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

Operating Expense

Operating expenses are all costs incurred in the normal course of business that are required to provide a municipal good or service. 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 on capital debt, amortization, or one-time losses. Any one-time losses should be netted from any gains recorded in either Lines g1 or g2 of this schedule (Gain or Loss on Disposition or Revaluation of Financial Assets) on Line h of this schedule (Gain or Loss on Disposition of Tangible Capital Assets).

Interest Expense

This is the annual interest expense on capital 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 municipal facility with a city hall, police station and recreation facility), the local government should use its best estimates to allocate the annual interest expenditures to the various functions (e.g. city hall to Line k2, police station to Line l2, and recreation facility to Line q2 --- all lines on Schedule A3). PS 2130.12 states that estimates are allowed in determining certain expenses.

Actuarial Adjustments - **Do not reduce interest expenses by actuarial adjustments on MFA debentures.** These adjustments are included in Investment Income (Schedule A2 line d) and flow through the Analysis of Authorized Debenture Debt and Short Term Capital Borrowing (Schedule B1, Line m).

Amortization

Amortization of tangible capital assets recognizes the expenditure of an asset over its useful life. In this way, the value that the asset generates for a local government is matched to the expense of that asset. PSAB 3150.22 - 3150.30 discuss aspects of amortization. Key among these is estimating the cost of the asset (PSAB 3150.09 - 3150.21), estimating the asset's useful life, its residual value and choosing a method of amortization.

Functional Classifications of Expenses

General Government (Line k)

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

General Administration Operations (Line k1a)

This function reports activities related to the administration of the municipality 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 municipal associations
- Central Finance
 - Accounting
 - Auditing
 - Budgeting
 - Payroll
 - Taxation
 - Risk Management
 - Grant Management
 - Licensing Administration
- Central Human Resources
- Central Information Systems

Legislative Operations (Line k1b)

This reports council-related and legislative activities of a local government. These may include council remuneration and benefits plus any additional costs associated with the legislative operations of council.

Other General Government Operations (Line k1c)

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

Total General Government Operations (Line k1)

This is the sum of Lines k1a to k1c.

Interest/Foreign Exchange on Debt (General Government) (Line k2)

This includes all interest and exchange costs on financing related to the general government function. **For more information** on the accounting treatment of interest expenses, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Amortization (General Government) (Line k3)

This includes all amortization relating to the general government function. **For more information** on the accounting treatment of amortization, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Protective Services (Line L)

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

Police Operations (Line L1a)

This line item reports all activities related to policing and law enforcement covered under Section 15 of the *Police Act* and the related sections of 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.

Fire Protection Operations (Line L1b)

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 66 of the *Community Charter*.

Bylaw Enforcement Operations (Line L1c)

This line item reports all activities related to enforcing municipal bylaws 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:

- general regulatory bylaws under section 8(3) of the *Community Charter*
- building inspection and regulation (under Section 54 of the *Community Charter*),
- animal control (under Part 3, Division 6 of the *Community Charter*),
- tree protection (under Part 3, Division 7, of the *Community Charter*),
- noise control (under Section 64 of the *Community Charter*), and
- nuisance control (including littering, noxious emissions and unsightly premises) under Section 64 of the *Community Charter*.

Other Protective Service Operations (Line L1d)

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 L1)

This is the sum of Lines L1a to L1d.

Interest/Foreign Exchange on Debt (Protective Services) (Line L2)

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 “Expenses – Schedule A3b”).

Amortization (Protective Services) (Line L3)

This includes all amortization relating to the protective services function. **For more information** on the accounting treatment of amortization, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Solid Waste Management/Recycling (Line m)

Operations (Solid Waste Management/Recycling) (Line m1)

This line item reports all annual operating costs related to solid waste management (under the *Environmental Management Act* and section 64 of the *Community Charter*). 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 *Hazardous Waste Regulation* (BC Reg 63/88)) (e.g. industrial wastes – PCBs, dioxins, petrochemicals, pesticides, herbicides and asbestos).

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 q1).

Interest/Foreign Exchange on Debt (Solid Waste Management) (Line m2)

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 “Expenses – Schedule A3”).

Amortization (Solid Waste Management) (Line m3)

This includes all amortization relating to the solid waste management function. **For more information** on the accounting treatment of amortization, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”). This line item includes, but is not limited to, landfill sites, incinerators, recycling facilities and collection vehicles.

Health, Social Services and Housing (Line n)

Operations (Health, Social Services and Housing) (Line n1)

This line item reports all annual operating costs related to social services, public health and environmental health (**excluding** – water, sewer, garbage/recycling, 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 n2)

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 expenses, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Amortization (Health, Social Services and Housing) (Line n3)

This includes all amortization relating to the health, social services and housing function. **For more information** on the accounting treatment of amortization, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Development Services (Line o)

Operations (Development Services) (Line o1)

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

- land use planning (Part 14 of *the Local Government Act*),
- zoning,
- subdivision and development planning,
- planning research and studies,
- economic development projects,
- agricultural development,
- business licensing (Section 60 of the *Community Charter*),
- conventions and tourism, and
- business improvement areas (section 215 of the *Community Charter*).

Interest/Foreign Exchange on Debt (Development Services) (Line o2)

This includes all interest and exchange costs on financing related to the development services function. **For more information** on the accounting treatment of interest expenses, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Amortization (Development Services) (Line o3)

This includes all amortization relating to the development services function. **For more information** on the accounting treatment of amortization, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Transportation and Transit Services (Line p)

Operations (Transportation and Transit) Line (p1)

This line item reports all annual operating costs related to transportation and transit services (under Part 3, Division 5 of the *Community Charter*), 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, sidewalks, street lighting and signage,
- motor vehicle inspection,
- snow removal, and
- municipal parking facilities.

*** If **drainage** and storm sewer infrastructure are part of 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 p2)

This includes all interest and exchange costs on financing related to the transportation services function. **For more information** on the accounting treatment of interest expenses, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Amortization (Transportation and Transit) (Line p3)

This includes all amortization relating to the transportation and transit function. **For more information** on the accounting treatment of amortization, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Parks, Recreation/ Culture (Line q)

Operations (Parks, Recreation/ Culture) (Line q1)

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 municipal 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/ Culture) (Line q2)

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 expenses, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Amortization (Parks, Rec/ Culture) (Line q3)

This includes all amortization relating to the parks, recreation and culture function. **For more information** on the accounting treatment of amortization, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

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

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* and the *Drinking Water Protection Regulation* (BC Reg 200/2003). Water operating expenses can include purchases of water supply from an adjoining jurisdiction.

Interest/Foreign Exchange on Debt (Water Services) (Line r2)

This includes all interest and exchange costs on financing related to the water services function. **For more information** on the accounting treatment of interest expenses, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Amortization (Water Services) (Line r3)

This includes all amortization relating to water services. **For more information** on the accounting treatment of amortization, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”). Tangible capital assets to be amortized in this section include, but are not limited to: water mains, distribution lines, intakes, wells, reservoirs, pressure-reducing valves (PRVs), pump-houses and treatment and disinfection facilities.

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

This line item reports all annual operating costs related to gathering, treating, transporting, storing, utilizing or discharging municipal sewage or reclaimed water in accordance with the *Environmental Management Act Municipal Sewage Regulation* (BC Reg 129/99) and *Sewage Disposal Regulation* (BC Reg

411/85). Sewer operating expenses can include the purchasing of sewage treatment capacity from an adjoining jurisdiction.

Interest/Foreign Exchange on Debt (Sewer Services) (Line s2)

This includes all interest and exchange costs on financing related to the sewer services function. **For more information** on the accounting treatment of interest expenses, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Amortization (Sewer Services) (Line s3)

This includes all amortization relating to the sewer services. **For more information** on the accounting treatment of amortization, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”). Tangible capital assets to be amortized in this section include, but are not limited sewer 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 t)

Operations (Other Services) (Line t1)

This line item reports all annual operating costs related to any municipal function not previously listed in Lines k to s (Schedule A3). Such services may include cemeteries, airports, wharves & docks, and other utilities (e.g. telephone, gas and electricity).

Interest/Foreign Exchange on Debt (Other Services) (Line t2)

This includes all interest and exchange costs on financing related to the other services function. **For more information** on the accounting treatment of interest expenses, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Amortization (Other Services) (Line t3)

This includes all amortization relating to the other services. **For more information** on the accounting treatment of amortization, please see the detailed information at the start of Section 5(b)(ii) of this Help Manual (entitled “Expenses – Schedule A3”).

Other Adjustments (Line u)

This includes other expenses 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 g1 or g2 (for financial assets) or Line h (for tangible capital assets) on Schedule A3.

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

Total Expenses (Line v)

This line item is the sum of all municipal expenses (Lines k to u) including operating, interest and amortization.

Annual Surplus / (Deficit) (Line w)

This line item is equal to the total revenues (Line j – Schedule A3) less the total expenses (Line v – Schedule A3) for the local government over the last reporting period.

5(c) – Statement of Property Taxation (Schedule A4)

This statement records all tax revenue recognized by the local government in the accounting period. This amount reconciles to the Total Own Purpose Taxation line in the Statement of Financial Activities (Schedule A3 - Line a).

In addition, Schedule A4 has a table that records total taxes levied less total taxes collected. The net amount of taxes levied (but uncollected) reconciles with the taxes receivable in the Statement of Financial Position (Schedule A2 – Line b).

Total Gross Taxation (Line a)

This includes all municipal-wide property taxes (plus any related interest and penalties) levied in the current reporting period in accordance with Part 7 of the *Community Charter*. This includes taxes levied both for the municipal government and for other public authorities and is the sum of Lines a1 to a5 (listed below).

Real Property Taxes (Line a1)

Total municipal-wide *ad valorem* levy on all Classes of properties defined under the *Assessment Act*.

Penalties and Interest on Taxes (Line a2)

This line item represents all penalties and interest levied on taxes, including:

- Late payment penalties and interest under section 234 of the *Community Charter* (see section 5 of the BC Reg 426/2003 for more information);
- Late payment penalties and interest under section 235 of the *Community Charter*.
- Interest imposed on arrears and delinquent taxes under section 245 and 246 of the *Community Charter* (see section 11 (3) of *Taxation (Rural Area) Act* for more information).

Parcel Taxes (Line a3)

This line item includes all municipal-wide parcel taxes imposed in accordance with section 200 of the *Community Charter*. This type of tax includes unit, frontage and area taxes. This does not include parcel taxes imposed as part of a specified area or local improvement (See Line d3).

Local Service Taxes (Line a4)

This line item includes all taxes levied for specified areas and local improvements under Part 7, Division 5 of the *Community Charter*.

1% Utility Tax (Line a5)

This line includes all taxes levied on linear utility assets within municipalities under section 644 of the *Local Government Act*.

Less: Levies for Other Governments (Line b)

These are levies made by the municipality on behalf of other public authorities in accordance with section 197 of the *Community Charter*. Normally the public authority will requisition the municipality for a specific amount of money and the municipality will collect this through a municipal-wide ad valorem tax. This amount is equal to the sum of Lines b1 to b6 (listed below).

School District (Line b1)

This is the amount requisitioned annually by the Province for school purposes in accordance with section 119(6) of the *School Act*.

Hospital District (Line b2)

This is the amount requisitioned annually by the Regional Hospital District for hospital purposes in accordance with section 25(1) of the *Hospital District Act*.

Regional District (Line b3)

This is the amount requisitioned annually by the Regional District for regional services in accordance with section 386 of the *Local Government Act*.

Joint Boards & Commissions (BCA/MFA) (Line b4)

This is the amount requisitioned annually by joint boards and commissions for various purposes. This includes, but is not limited to the following:

- MFA requisitions in accordance with section 19(2) of the *Municipal Finance Authority Act*.
- BC Assessment Authority requisitions in accordance with section 20(1) of the *Assessment Authority Act*.

Library Board (Line b5)

This only includes requisitions for library boards that are not part of the local government reporting entity.

Integrated Public Libraries under section 60 and Municipal Libraries under Part 2 of the *Library Act* are part of the local government reporting entity and therefore should **not** be included in Line b5.

While Public Library Associations (under Part 4 of the *Library Act*) are not part of the local government reporting entity, they are also not financed through annual tax requisitions. Instead, these associations are financed through grants-in-aid. Therefore, Public Library Associations should also **not** be included in Line b5.

Similarly, Library Federations (under section 49 of the *Library Act*) are not part of the local government reporting entity and they have no requisitioning authority. Therefore, they should also **not** be included in Line b5.

Only Regional Library District requisitions (under section 25(3) of the *Library Act*) should be included in Line b5. These districts are not part of the local government reporting entity and have full requisitioning authority.

For more information on libraries, please see Appendix A at the end of this Help Manual. For more information on reporting entities, please see Section 3 of this Help Manual, entitled, “Financial Reporting Entities.”

Other (Requisitioning Public Authorities) (Line b6)

This is the amount requisitioned by any public authorities not listed above in Lines b1 to b5. Requisitions for the GVTA, Victoria Transit, or police should be included here.

Municipal Own Purposes - Net Taxes (Line c)

This line item is the net property taxes (including any penalties and interest) levied in the current accounting period for municipal purposes only. It is equal to the total gross taxation (Line a) **less** the total tax levies for other governments (Line b).

Other Taxes (Line d)

This line item includes all taxes (plus interest and penalties) levied in the current period, other than property tax levies from Line c – Schedule A4. This amount is equal to the sum of Lines d1 to d4.

Business Taxes (Line d1)

This line item includes all taxes on commercial enterprises under the authority of Part 11, Division 10 of the *Municipal Act (1996)*. The authority to impose this tax was repealed under section 105 of Bill 88 (1999). However, section 331(2) of the Bill, grandfathered the taxing authority for all municipalities that were using the business tax prior to 1999.

Hotel Tax (Line d2)

Hotel Tax in accordance with section 3 of the *Hotel Room Tax Act*;

Other (Line d3)

This includes all other taxes levied by the local government and not included in Lines c (property tax), d1 (business tax), or d2 (hotel tax) of Schedule A4 of the reporting forms.

This line item may include any other adjustments necessary to balance the **Total Own Purpose Taxation** line from the Statement of Property Taxation (Line f – Schedule A4) with the **Net Taxation** line from the Statement of Financial Activities (Line a – Schedule A3).

Payments in Place of Taxes (Line e)

Under section 220 of the *Community Charter*, Crown Properties are exempt from municipal taxation. These 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 to municipalities in lieu of taxation.

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 Operations (Line c – Schedule A3).

This line item is equal to the sum of Lines e1, e2 and e3.

Federal Government /Agencies PIP (Line e1)

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 e2)

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 PIP (Line e3)

This includes any other payments in place of taxes received from other public authorities not listed above in Lines e1 or e2.

Total Own Purpose Taxation (Line f)

This line item equals the total amount levied in the current reporting year for taxation (including interest and penalties) and payments in place of taxes. This line item equals Line c (net municipal property taxation) **plus** Line d (other municipal taxation) **plus** Line e (payments in place of taxation).

The amount from this line item should reconcile with the Net Taxation line in the Statement of Financial Operations (Line a – Schedule A3).

Section 2: Taxes Imposed/Collected

This schedule tracks the **total taxes levied** (plus interest and penalties on late taxes) by the municipality for its own purposes plus levies on behalf of other governments. This includes:

- property tax (including flat tax)
- parcel tax
- local area service tax
- other taxes (including the 1% utility tax in S.644 of the *Local Government Act*), and

This table also tracks total taxes collected (including collection of taxes outstanding from prior fiscal periods). Methods of collection include, but are not limited to, regular tax payment, tax sale and distress. The bottom line of this schedule reconciles with the total taxes receivable from the Statement of Financial Position (Line b – Schedule A2).

Each column in the chart reflects a fiscal period. Current represents all taxes levied and collected relating to the current reporting period for the financial statements. Arrears represent all taxes that were uncollected from the previous reporting period (in accordance with section 245 of the *Community Charter*). Delinquent represents all taxes that were uncollected from the reporting period of two years ago (in accordance with section 246 of the *Community Charter*).

Taxes Outstanding at January 1 (Line g)

This line item represents all taxes unpaid at the start of the fiscal period. All taxes levied but uncollected from the previous fiscal period are placed in the **arrears** column. All taxes levied but uncollected from two fiscal periods ago are recorded in the **delinquent** column.

Total Imposition of Taxes (Line h)

This is the total taxes, penalties, interest and other charges imposed in Lines h1 to h3 and it should be equal to the Total Gross Taxation on Line a.

Current Year Tax Levy (Line h1)

This is the levy of all taxes (including Local Area Service taxes, parcel taxes and the 1% utility tax) in the current reporting period (also including collections for other governments).

Penalties Imposed (Line h2)

This line item represents all penalties levied on taxes, including:

- Late payment penalties under section 234(2) of the *Community Charter* (see section 5 of the BC Reg 426/2003 for more information);
- Late payment penalties under section 235(3)(d) of the *Community Charter*;

This generally does **not** comprise the 5% charge or other fees included in the upset price of a property at tax sale [S.407(1)(c) & (d)]. If this amount is included in the tax levy, it should also be included in the line item “Transfers to Tax Sale Account” (Line i5 – Schedule A4).

Interest Charged (Line h3)

This line represents all interest imposed on arrears and delinquent taxes under section 245(1)(b) and 246(1)(b) of the *Community Charter* (see BC Reg 59/2003 for more information).

The sum of Lines h2 and h3 should be equal to Penalties and Interest on Taxes (Line a2 – Schedule A4).

Collections

This represents collections made in the current reporting period. The collections should be applied to the year in which the taxes were imposed (e.g. if the taxes were imposed in the “Arrears” year (thus recorded in the arrears column), the collection of those taxes should also be applied to the “Arrears” column).

Total Collections and Adjustments (Line i)

This is the sum of all taxes (& PIPs) collected and any adjustments on collections during the current reporting period.

Taxes Collected (Line i1)

This is total taxes collected (municipal and other) by way of regular payment (e.g. *Community Charter* Section 244 payment). This does not include HOG Claims (Line i2), collection of interest and penalties (Line i3 & i4) or tax sale (Line i5).

HOG Claimed (Line i2)

This is the total amount claimed by home owners under the *Home Owner Grant Act*. Under Section 8 of the *Home Owner Grant Act*, all claims must be filed by the end of the calendar year in which they are imposed. Thus, there are no HOG claims for the Arrears or Delinquent years. A home owner may request a claim extension under section 9 of the Act. If this is done, include the claim amount under “Other Collections and Adjustments” Line i6 (for the appropriate year, either “Arrears” or “Delinquent”). This amount should reconcile with the amount listed on Total Home Owner Grants on Line 3 in Schedule C2.

Penalties Collected (Line i3)

This represents the total amount of penalties imposed under **Line h2** that are collected by way of normal tax payment (i.e. this excludes interest and penalties recovered through tax sale or distress – Lines i5 and i6).

Interest Collected (Line i4)

This represents the total amount of interest imposed under **Line h3** that is collected by way of normal tax payment (i.e. this excludes interest and penalties recovered through tax sale or distress – Lines i5 and i6).

Transfer to Tax Sale Account (Line i5)

This represents the amount of taxes owed (including interest and penalties) that are recovered through the tax sale process, in accordance with Part 16 of the *Local Government Act*. Based on an October 13, 1990, discussion paper entitled, “A Method for Accounting for Tax Sale Transactions,” when a property is to be auctioned for tax sale, the local government should establish a temporary tax sale account as a financial asset. All taxes receivable on the tax sale properties should be transferred to the tax sale account using the following journal entry:

DR Tax Sale Account	10,000	
CR Current Taxes Receivable		2,500
CR Taxes Receivable (Arrears)		3,000
CR Taxes Receivable (Delinquent)		3,500
CR Other Revenue		1,000
<i>(Establishment of tax sale account)</i>		

In this example, the upset price of the property at tax sale is \$10,000. In accordance with section 649 of the *Local Government Act*, the breakdown of the upset price is as follows:

• Current Taxes Receivable	\$2,500
• Taxes Receivable (Arrears)	\$3,000
• Taxes Receivable (Delinquent)	<u>\$3,500</u>
○ Total Taxes Receivable	\$9,000
• 5% Recovery for Tax Sale Administration	\$ 450
• Land Title Fees	<u>\$ 550</u>
○ Upset Price at Tax Sale	<u>\$10,000</u>

The amount in the **Transfer to Tax Sale Account** line (Line i5) will equal \$9,000 for the total taxes receivable. The collection for the **5% Admin Recovery** and the **Land Title Fees** should normally be included as “Other Revenue,” and therefore should not be included as part of taxes collected.

However, if the local government has included the 5% Admin Charge and Land Title Fees as part of Tax Revenue (i.e. as part of Penalties Imposed in Line h2), then the fees and charges should be included as part of Transfers To Tax Sale Account (Line i5).

Other Collections & Adjustments (Line i6)

This line item includes all other forms of tax collection (not listed above in Lines i1 to i5) including distress (section 252 of the *Community Charter*) and real property in lieu of taxes (section 253 of the *Community Charter*).

This line item also includes annual adjustments to the taxes uncollected from prior periods. This may include municipal write downs of any outstanding taxes from previous years (plus accrued interest and penalties) relating to successful assessment appeals under the *Assessment Act*. This also includes any municipal repayment of tax overpayment (section 239 of the *Community Charter*) from previous years **and** any tax write offs (including accrued interest and penalties) under section 781 of the *Local Government Act*. All these entries should be recorded as positive numbers if they are decreasing the balance of the taxes receivable.

Also, include any Home Owner Grants successfully claimed on arrears or delinquent taxes in accordance with section 9 of the *Home Owner Grant Act*. Another possible adjustment is for school taxes. Municipalities levy taxes for other public authorities under Lines b1 to b6 – Schedule A4. For all of these authorities (except school districts) the municipality must remit the full amount of the requisition in the current reporting period, for example:

- Hospital Districts – Remittance Date August 1 – S.25(2) *Hospital District Act*
- Regional Districts – Remittance Date August 1 – S.385 *Local Government Act*
- BCAA – Remittance Date August 1 – S.20(3) *Assessment Authority Act*
- MFA – Remittance Date August 1 – S.19(4) *Municipal Finance Authority Act*
- Regional Library Districts – Date Mar 1, Jun 1, Sep 1, Dec, 1 – S.25(5) *Library Act*

However, School District Taxes may be remitted from the municipality to the school district (in full) in the current reporting period or a portion of the taxes may be paid incrementally as collected in accordance with section 124(3) of the *School Act*.

Most municipalities remit school taxes in full (like remissions to other public authorities). In this case there is no impact on the tax schedule. However, some municipalities choose to remit school taxes incrementally.

If a municipality elects to incrementally remit to the school district a portion of the school taxes (in accordance with S.124[3]), that portion of the outstanding school taxes owed (plus any accrued interest or penalties) should be included in Line i6 (Other Collections and Adjustments) for the “Current” year column.

The school taxes are included in this line item because they are deemed to be taxes receivable of the school district, not the municipality. The school district is external to the municipal reporting entity (See section 3 of this Help Manual for more information), therefore the school taxes outstanding should be reduced from the total tax levy (Line h) so the bottom line of the tax table reconciles to the taxes receivable in the Statement of Financial Position (Line b – Schedule A2).

Balance of Taxes Receivable (Line j)

This line equals the total of the Taxes Outstanding at the Start of the Year (Line g) **plus** Total Taxes Imposed (Line h) **less** Total Taxes Collected and Other Adjustments (Line i).

The total of this line item must reconcile to the total Taxes Receivable from the Statement of Financial Position (Line b – Schedule A2).

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

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

Annual Surplus / (Deficit) (Line a)

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

Acquisition of Tangible Capital Assets (Line b)

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

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

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

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

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

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

- purchase price

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

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

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

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

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

Amortization of Tangible Capital Assets (Line c)

This is the sum of lines k3 through t3 on Schedule A3, Statement of Operations.

(Gain)/loss on sale of Tangible Capital Assets (Line d)

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

Proceeds on Sale of Tangible Capital Assets (Line e)

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

Write Downs of Tangible Capital Assets (Line f)

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

Acquisition of Supply Inventory (Line g)

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

Acquisition of Prepaid Expenses (Line h)

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

Consumption of Supply Inventory (Line i)

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

Use of Prepaid Expenses (Line j)

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

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

Other Adjustments (Line k)

Any unusual items that don't fit in to previously listed lines can be entered here.

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

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

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

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

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

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

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

6. Debt Schedules

This part of LGDE tracks the total debt level of a local government that arises from borrowing in accordance with section 175 (liabilities under agreement), interim financing through section 181, adopted bylaws in accordance with sections 178 (short-term capital borrowing) and 179 (loan authorization bylaw) of the *Community Charter* 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. All of this information is used to calculate the borrowing power of the municipality.

In calculating liability servicing capacity, we add all estimated servicing costs of off balance sheet items that may impact a municipality's solvency. These off balance sheet items are normally included in the notes to the financial statements and fall into three broad categories: Authorized but Unissued Borrowing, Guarantees, and Long-Term Agreements.

6 (a) Analysis of Authorized Debt and Short Term Capital Borrowing (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 amount of short term capital borrowing and the total amount of authorized but unissued borrowing. The second part of the schedule reconciles the total debt at the beginning of the fiscal period to that at the end with changes to debt resulting from new borrowing and debt repayment. With the exception of Authorized but Unissued Debt (which is not shown on any of the other Schedules) the information in Schedule B1 should reflect the information previously entered in the Statement of Financial Position - Schedule A2.

Unmatured Long-Term Debt Issued by the Local Government (Line a)

For the City of Vancouver, this line should include all unmaturred debt issued under the authority of the *Vancouver Charter* (except any issuing under S.239A, which should be included in Line b of this schedule).

For all other local governments, this line item should equal the unmaturred portion of debt issued under the authority of a loan authorization bylaw (S. 179) but **not** issued through the MFA (S.182) or temporary financing (S.181). This would generally include borrowing under the authority of a loan authorization bylaw (S.181) and through a government loan program (e.g. CMHC loans and Downtown Revitalization loans).

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

Unmatured Long-Term Debt Issued by the MFA (Line b)

This line item should equal the unmaturred portion of debt issued either directly or indirectly through the MFA. This line should include all unmaturred debt issued under section 182 (security issuing bylaws) of the *Community Charter* or section 239A (borrowing through the GVRD) of the *Vancouver Charter*. This also includes any interim capital financing through the MFA (S.181).

Authorized but Unissued Long-Term Debt (Line c)

Authorized but unissued borrowing occurs where a municipality has the authority to borrow under bylaw (section 179 of the *Community Charter* or section 236 of the *Vancouver Charter*), but has not yet issued securities under section 182 of the *Community Charter* or section 239 and 239A of the *Vancouver Charter* **or** received a loan under a government loan program. This amount represents legally authorized, but unutilized, borrowing authority of the local government that is not recognized in the Statement of Financial Position and therefore must be recorded here to be included in the Liability Servicing Limit calculations.

It also should include any remaining debt of another party that has been guaranteed under *Community Charter* S. 175.

Capital Lease Liabilities (Line d)

This amount should equal the total capital leases summarized in Line p of schedule A2 (Statement of Financial Position). For more information about capital leases and their treatment, see section 5(a)(ii) - Liabilities (Schedule A2).

Short Term Capital Borrowing Amount Issued (Line e)

Include in this line the total amount borrowed under section 178 of the *Community Charter* less the balance paid to date. Do not include any amounts authorized under section 178 that are not actually borrowed (this is addressed in Line f).

Authorized but Unissued Short Term Capital Borrowing (Line f)

This line represents the total amount the local government has the authority to borrow under section 178 of the *Community Charter* but has not yet borrowed. As the debt has not yet been incurred, it is not captured in the Statement of Financial Position and must be recorded here for inclusion in the Liability Servicing Limit calculations.

Total Debt Issued (Line g)

Totals long-term debt issued by the local government and MFA as well as borrowed through short-term capital borrowing. This is a formula cell and equals the total from lines a b, d, e of Schedule B1.

Total Debt Authorized but Unissued (Line h)

This line item is the total debt authorized by loan authorization bylaws but not issued by security issuing bylaws. This line item is also the total amount authorized by short term capital borrowing bylaws but not yet borrowed. This is a formula cell that totals lines c and f.

Total Debt (Line i)

This is the total of all authorized debt both long-term and short-term whether issued or not.

Reconciliation

This section of the schedule reconciles the total debt at the beginning of the fiscal period to that at the end with changes to debt resulting from new borrowing and debt repayment. Information on all the types of debt that were included in Lines a, b, c, and e should be entered into the reconciliation section.

Long Term Debt at Beginning of Year (Line j)

This is the total of all authorized debt at the beginning of the year. It should equal the value calculated for Line g in the previous year's LGDE.

Proceeds from Issue of Debt (Line k)

Local governments are not allowed to run sustained deficits in accordance with section 165 of the *Community Charter*. Therefore any long-term debt of a local government is to support capital asset financing.

This line item represents the portion of purchases of tangible capital assets. (Form A5 line b), for the current reporting period, that were financed through new debt.

This line item represents the value of financial proceeds from borrowing received by the municipality from the MFA (or other financing organizations) during the accounting period. In accordance with PS 1200.090 the LGDE forms differentiate the reporting methods for revenue and the financial proceeds from borrowing (including debenture issues). Borrowing proceeds do not flow through the Statement of Operations (Schedule A3).

Debt Repayment (Line L)

A principal payment is a repayment of the principal component of municipal debt (this can include the principal portion of MFA debenture debt, bank loans, serial debt (e.g. mortgages), capital leases, short term capital borrowing, interim financing and other capital financing arrangements under agreement). **This line item does not include interest payments or MFA actuarial adjustments.**

In accordance with PS 1200.089, debt repayment is not considered an “Expense” and therefore does not flow through the Statement of Operations (Schedule A3).

Actuarial Adjustments (Line m)

This line item represents the annual actuarial adjustments on MFA debenture debt. 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.

Long Term Debt at End of Year (Line n)

This line is auto-calculated as the sum of lines j and k less the sum of lines L and m. The amount must equal line g above.

6 (b) Other Commitments Not Included in the Statement of Financial Position (Schedule B2)

This is a roll up schedule that includes any material commitments of the local government that are **not included in the Statement of Financial Position**. These off balance sheet items are represented by Loan Guarantees (Schedule B2a and Line a), Agreements not on Other Schedules (Schedule B2c and Line b) and Long-Term Agreements (Schedules B2d, B2e, B2f and Lines c, d and e).

The amounts in this schedule are used in calculating the liability servicing capacity.

Guarantees Under Agreement (Schedule B2a and Line a)

Guarantees are the result of contractual obligations freely entered into by the municipality. Under the *Community Charter*, loan guarantees may be established by bylaw (S.179) or by agreement (S.175). In either case, the guarantee must be recorded in the liability servicing formula.

The amount to be recognized as a guarantee is the lesser of the

- initial guarantee under bylaw or agreement, or;
- the amount of remaining third party debt under guarantee.

Loan Guarantees Under Bylaw (Community Charter S.179) (Schedule B2a)

The liabilities in this schedule are already recorded as Authorized but Unissued Debt on Schedule B1, line g, and used to reduce the liability servicing capacity. However, we only want to capture the amount of outstanding third party debt remaining under guarantee. In order to do this, we must reduce the total guarantee by the amount of third party debt that has already been retired, this equals the following:

= Amount of loan guarantee bylaw - remaining third party borrowing

Loan Guarantees under Agreement (CC S.175) (Line a) (Schedule B2b)

This line item is a formula cell that links to the total from Schedule B2b (Loan Guarantees under Agreement). These guarantees do not require a bylaw, thus, are not captured under “Authorized but Unissued Borrowing”. As such, we will only include the remaining third party liability guaranteed by the agreement. The annual debt servicing cost in relation to loan guarantees is determined by dividing the remainder of the debt under guarantee by the remaining agreement term in years.

Agreements not on Other Schedules (Line b) (Schedule B2c)

This line item is a formula cell that links to the total from Schedule B2c (Agreements not on Other Schedules). It includes the estimated annual cost of servicing capital or contingent portions of any off balance sheet commitments of the local government. An example of this would be the yearly expenditure associated with a P3 (public-private

partnership) agreements. The annual debt servicing cost in relation to the agreements not on other schedules is determined by adding the remaining principal and a residual value and dividing this total by the remaining term in years.

There are 20 rows in Schedule B2c, enter one agreement per row. If your local government has more than 20 agreements, enter the 19 most material agreements in the first 19 rows and sum all remaining agreements in row 20.

Further explanation of long term agreements can be found in the next section.

Long Term Agreements (Lines c, d, and e) (Schedules B2e, d, and f)

These are formula cells that link to the totals from Schedules B2d, B2e, and B2f (Long Term Liabilities Under Agreement). These are long term facility agreements that are not capitalized on the financial statements. All such long term agreements must be included in the liability servicing limiting, with the following exceptions:

Exceptions: There are several types of agreements that will not be included in the liability servicing formula, including:

- i) immaterial agreements,
- ii) union collective agreements,
- iii) individual employment contracts,
- iv) agreements that the municipality may cancel on favourable terms,
- v) operating agreements

i) Immaterial Agreements

Some agreements are for immaterial amounts. To prevent having to track and include immaterial agreements in the liability servicing formula, a materiality limit is set. Any agreement with an annual payment below the materiality limit does not need to be recorded in the liability servicing limit. **The materiality limit is equal to \$30,000;** however, the limit may be decreased if \$30,000 is a material amount to the local government in question. Professional judgment should be used to determine individual materiality amounts.

ii) Collective Agreements

Union agreements deal with the cost of staffing municipal services. Such staffing costs are both variable and part of day-to-day operations. Thus, these costs should not be included in the liability servicing limit.

iii) Individual Employment Contracts

These are employment contracts separate from the collective agreement. These contracts are not included in the liability servicing limit for the same reasons as the omission of union contracts.

iv) **Agreements that the Municipality may Cancel on Favourable Terms**

Some long-term agreements may allow the municipality to cancel the agreement on favourable terms. Agreements that meet the following criteria do not need to be included in the liability servicing limit calculation:

- the municipality may cancel the agreement on no more than one year's advance notice
- there is no penalty or assumption of liability in excess of the annual cost of the agreement for the municipality.

v) **Operating Agreements**

These are agreements with respect to the day-to-day operations of the local government that may be contracted to an outside party rather than be performed by the local government. These costs are not included in the liability servicing limit so that a local government who provides the service themselves does not receive a bonus over one who contracts the service out.

Completing Schedules B2d, e and f (Calculating the Amount of the Long-Term Agreement)

Please follow the instructions on these schedules. There is one schedule per agreement. If your municipality has more than three agreements, enter the three most material agreements in these schedules. All remaining agreements should be added to Schedule B2c.

For each agreement schedule, the total liabilities under agreement are calculated by discounting the annual expenditures over the remaining term of the agreement. The discount rate used will be 5% (based on the MFA sinking fund rate).

Example calculation:

Annual Expenditure = E = \$100,000
Remaining Term = N = 5 years
Discount Rate = D = 5%
Present Value = PV

$$PV = \frac{E(E_N)}{(1+D)^N} = \underline{\underline{\$432,950}}$$

Variable Versus Fixed Payments: Some agreements have a preset fixed annual payment and may be calculated using the above formula. However, if the annual agreement payments are not fixed (for example, an annual revenue guarantee agreement) an estimate must be used for the annual expenditure under agreement. This is done by **averaging the previous three years' expenditures**. If three years of data is unavailable (i.e. a brand new agreement) the following is done:

- Year one of the agreement - use the budgeted (annualized) expenditure figure for the first year, or other reasonable estimate;
- Year two of the agreement - use the actual (annualized) expenditure figure from year one;
- Year three of an agreement - use the average of the actual (annualized) expenditure figures from years one and two.

The average expenditure is then discounted over the remaining term of the agreement.

Total Debt Servicing Cost from Other Liabilities (Line f)

This is a formula cell that totals the debt servicing cost of off balance sheet liabilities. It is the sum of lines a, b, c, d and e.

Actual Debt Servicing Cost (Line g)

This is a formula cell that sums all of the recorded interest expenditures from the Statement of Financial Operations and the debt principal payments for the year. It does not include actuarial adjustments because these are not expenditures of the local government; they simply represent a reduction in the amount of principal owed. The formula is schedule A3 lines k2+l2+m2+n2+o2+p2+q2+r2+s2+t2+Schedule B1 Line L.

Estimated Debt Servicing Cost on Unissued Debt (Line h)

This cell estimates the annual servicing cost of authorized but unissued debt. It is a formula cell which takes the total amount of authorized but unissued debt from schedule B1 Line g, subtracts the total amount of any loan guarantees under bylaw that are no longer under guarantee from Schedule B2a Total, and multiplies the remaining amount by 0.09 to determine an estimate of the annual servicing cost. We have chosen a factor of 0.09 for the estimation of annual servicing cost as this is symbolic of 20 year 6% debt. Twenty years is the average term of local government borrowing and 6% is a conservative estimate based on current Municipal Finance Authority financing rates.

Total Debt Servicing Cost (Line i)

This is a formula cell which calculates the total debt servicing cost for the year from all sources. It adds the estimated servicing cost for off balance sheet liabilities (Line f), the actual debt servicing cost paid or payable during the year (Line g) and the estimated amounts for authorized but unissued debt (Line h).

6 (c) Annual Liability Servicing Limit (Schedule B3)

The *Municipal Liabilities Regulation* (B.C. Reg. 254/2004) was passed by Cabinet and became effective on June 10, 2004. The regulation establishes limits on local governments' annual liability servicing cost and establishes a method for determining both the limit and the annual cost. This schedule is made up mainly of carry-forward items from other schedules which are used to calculate the annual liability servicing limit for the following year.

The liability servicing limit is calculated as 25% of a municipality's controllable, sustainable revenues. Some specific examples include: sale of services, provincial unconditional grants, casino revenues, investment income and own purposes tax revenues with a cap on class four properties. These revenues are either directly controllable by the local government or there is very little doubt that they will continue into the future. Specifically excluded from the allowable revenues are conditional grants, DCCs, actuarial adjustments from the MFA and Hotel tax. These items are excluded because their value can vary significantly from year to year and because they are generally related to fixed expenditures, so they are unavailable for other purposes such as servicing debt.

Own purpose tax revenues are controllable by the local government and sustainable, so they are included in the calculation, however, class 4 property taxation is capped to prevent an over-reliance on major industry to meet the operating needs of the municipality. In this way, the municipality will be protected from possible debt default if the class 4 property is no longer able to meet its tax obligations.

The cap is two-fold; it is a cap on the assessed value and a cap on the tax rate. The cap on assessed value states that the assessment may not exceed 20% of the total municipal assessment. The lesser of the actual class 4 assessment or 20% of the total municipal assessment becomes the assessed value used to calculate the tax revenue. The cap on the rate limits the tax rate to the lesser of the actual rate or the provincial average. The provincial average is determined by taking the total class 4 general municipal revenues for the entire province and dividing it by the total class 4 general municipal assessment for the entire province. This gives a rate that would have to be charged to every property in order for the same total amount of revenue to be earned. Local governments involved in tax sharing agreements must use derived assessments and tax rates that include or exclude the amount of tax sharing.

Value for Calculation (Line a)

This represents the lesser of the actual class 4 assessed value (Line a1) for the year and 20% of the total assessed value (Line a3) for the year and is the amount that will be used to calculate the allowable class 4 revenues.

Value for Calculation (Line b)

This represents the lesser of the actual class 4 general municipal tax rate (Line b1) and the provincial average tax rate (Line b2) as described above. It is the tax rate that will be used to calculate the allowable class 4 revenues for the year.

Municipal Revenues (Line c)

This is a formula cell that collects controllable, sustainable revenue information from Schedule A3 (Statement of Financial Operations) and Schedule A4 (Statement of Property Taxation). It equals:

Sale of Services (Line b) + Federal Govt/Agencies Unconditional Transfers + Provincial Govt/Agencies Unconditional Transfers (Line c4) + Other Provincial Government Transfers (Line c5) + Regional and Other External Unconditional Transfers (Line c7) + Investment Income (Line d) + Other Revenue (Line i) (All lines on Schedule A3 Statement of Financial Operations) + Total Own Purpose Taxation (Line f) – Hotel Tax (Line d2) (All lines on Schedule A4, Statement of Property Taxation) – Actuarial Adjustment (Line m – Schedule B1).

Less: Actual Class 4 Revenue (Line d)

This amount is determined by dividing the class 4 assessed value (line a1) by 1,000 and multiplying by the class 4 tax rate (line b1). It is subtracted from the municipal revenues because the total amount of all taxation revenues are included in the municipal revenue, but the full amount of class 4 revenues may not be included in the revenues due to the cap.

Plus: Capped Class 4 Revenue (Line e)

This amount is determined by dividing the assessed value for calculation (line a) by 1,000 and multiplying by the class 4 tax rate value for calculation (line b). It is added to the municipal revenues so that the capped class 4 taxation revenues are included.

Less: Amounts Transferred to Others (Line f)

This is the only line on this page that allows numbers to be entered. It is primarily for use by municipalities who transfer tax sharing revenues to other municipalities and have not included the amount of the transfer on Schedule A4. However, it can also be used to reflect any other necessary adjustments that have not been otherwise accounted for.

Caveat: The Ministry reserves the right to request clarification of any amounts entered on this line.

Total Revenues (Line g)

This expresses the controllable, sustainable revenues of the local government to be used in the calculation of the liability servicing limit. It is calculated as Line c – line d + line e – line f.

Liability Servicing Limit (Line h)

This is the total amount a local government can spend to service its capital obligations and guarantees for the year. It is calculated as $25\% \times \text{Total Revenues from Line g}$.

Actual Debt Servicing Cost (Line i)

This is a carry forward cell. It equals Line g on Schedule B2.

Estimated Cost from Off-Balance Sheet Liabilities (Line J)

This is a carry forward cell. It equals Line f on Schedule B2.

Estimated Cost on Unissued Debt (Line k)

This is a carry forward cell. It equals Line h on Schedule B2.

Total Liability Servicing Cost (Line l)

This is the total amount of actual and estimated annual liability servicing cost for the local government for the year. It is the sum of the actual debt servicing cost (Line i), estimated cost from off-balance sheet liabilities (Line J) and estimated cost on unissued debt (Line k).

Liability Servicing Capacity Available (Line m)

This is the unused liability servicing limit as at December 31. It is determined by subtracting the total liability servicing cost (Line l) from the liability servicing limit (Line h). To obtain an estimate of the amount of debt represented by this figure, the number can be divided by 0.09. This gives the amount of debt which could be borrowed for twenty years at 6% interest that is equivalent to the available capacity.

In addition to establishing the liability servicing limit, the *Municipal Liabilities Regulation* (B.C. Reg. 254/2004) also exempts some liabilities from the requirement to seek elector approval, including the establishment of an approval free liability zone. The approval free liability zone is an attempt to balance the objective of municipal accountability against the need for municipalities to conduct efficient operations. It is calculated as 5% of the controllable, sustainable revenues from line g above. This is the same as 20% of the liability servicing limit from line h above. The approval free liability zone is limited to the first 5% of revenues only. If the existing liability servicing cost already exceeds this amount, there is no approval free room and elector approval must be obtained for all new obligations. If the servicing cost of the proposed liability is greater than the remaining approval free capacity, elector approval must be obtained. Only if the entire servicing cost of the proposed obligation combined with the existing servicing cost is within the 5% of revenue threshold, can the obligation be undertaken without obtaining elector approval. Also, use of the approval free zone is optional, not mandatory. Local governments may seek elector approval even if not required to do so.

7. Statistics Schedules

7(a) General Statistics (Schedule C1)

A. Area

This is the total incorporated area (land and water) of a local government (in hectares), including taxable and non-taxable area.

B. Road Distance

This is the total distance of roads located within the municipal boundaries that is under the authority of the municipality (in accordance with Part 3, Division 5 of the *Community Charter*). This includes, but is not limited to, streets, roads, land, bridges, viaducts and any other way open for public use. The table is divided into two broad categories (paved and unpaved roads).

- Paved roads include all roads covered by rigid or flexible pavement (i.e. concrete, bituminous, mulch, retread and penetration).
- Unpaved roads include all treated and untreated gravel surfaces and earth surfaces.

C. Number of Voters on the Voters List

This is the number of voters on the local government's voters list. This list is either maintained by the municipality or by the Province (provincial voting list).

D. Number of Municipal Employees

This is the number of full-time equivalent municipal employees.

E. Development Information

This section deals with both building permit and business license information.

1. Number of Building Permits Issued.

This represent the total number of building permits issued in accordance with section 54 of the *Community Charter*.

Residential – All permits issued for building residential properties (residential being defined as Class 1 property 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. Total Number of Business Licenses Issued

The total number of business licenses issued by council (under section 15 of the *Community Charter*) during the reporting period.

F. Number of Fire Hydrants

Total number of fire hydrants located within the municipal boundary.

G. Distance of Pipes

This is the total distance of pipes for water, sewer and storm drainage within the municipal boundary (other than pipe under the control of the RD). 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.”

H. Water Systems

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 *Drinking Water Protection Regulation* --- BC Reg. 200/2003). These include (but are not limited to) mains, distribution lines, intakes, wells, reservoirs, pressure reducing valves (PRVs), pump-houses 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 ***Drinking Water Protection 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 local governments may be responsible for more than one large and/or small satellite system. Identify each separate system based on raw water source (column). For those systems that are part of a larger regional system, do not identify this system here (refer to 'Shared/Regional Systems' in the next line).

Shared/Regional Systems

Identify those systems that are part of a shared facility or regional facility under the appropriate column.

The remaining information fields must be completed based on the total number of systems (municipal and shared).

Level of Treatment**% Water Receiving Disinfection**

Based on total annual potable water supplied by the municipality, 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 municipality, 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

Point 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). For those systems that are part of a larger regional/shared facility, the connection(s) to the larger system will be considered the intake(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 commercial and other (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 (m³/day)

Based on total potable water supplied by the municipality, calculate average daily flow (cubic metres per day) for each column for each category (residential, commercial, and industrial/agricultural).

% of Surface Water from 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

I. Sewer Systems

A sewage system means any facility or work that gathers, treats, transports, stores, utilizes or discharges municipal sewage or reclaimed water (as defined under Section 1 of the *Environmental 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 – means any form of treatment, excluding dilution, that consistently produces an effluent quality with a 5-day biochemical oxygen demand (BOD₅) not exceeding 130 mg/L and total suspended solids level (TSS) not exceeding 130 mg/L.
- Secondary – means any form of treatment, excluding dilution, that consistently produces an effluent quality with a 5-day biochemical oxygen demand (BOD₅) 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 BOD₅ 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. If system is part of a shared facility/system, do not identify under 'Number of Systems' (refer to 'Shared Facilities/Systems' in the next line).

Shared Facilities/Systems

Identify those systems that are part of a shared facility/system. The remainder of the fields should be completed where applicable (i.e.: The regional district may be responsible for treatment and outfalls while collection works are the responsibility of the participating municipality(s). The municipality would be required to provide information pertaining to collection works, service connections. Average daily flow information may not be available based on the individual municipality).

The remaining information fields must be completed based on the total number of systems (municipal and shared).

% 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 open marine water which is all ocean water with appropriate flushing action.
- Fresh – This 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 (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 (m³/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 from the dropdown menu. This field is also completed by those municipalities that are part of a regional Liquid Waste Management Plan.

7(b) Home Owner Grant Certificate (Schedule C2)

This schedule shows how the Home Owner Grant was applied to various taxes (school and municipal). There should be no negative numbers entered anywhere and the Applied to School Tax boxes should not be left blank. Total Reimbursement by the Province should not be blank either. The number entered to the Retroactive Home Owner Grant should be the value of the retroactive grants, not the number of grants.

The page should be signed by both the Treasurer and the Auditor.

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	Control	Conclusion
Integrated Public Library	Yes	Part of Reporting Entity
Municipal Library	Yes	Part of Reporting Entity
Regional Library District	No	Not a part of Reporting Entity
Public Library Association	No	No a part of Reporting Entity

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.

Control – is the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. (PS. 1300.08).

Criteria for control:

- The municipality determines the revenue raising, resource allocation, and expenditure policies of the organization.
- The municipality appoints the majority of the organization's board (or senior management).
- The above municipal authority is exercised without senior government approval or assent of the electors.

DETAILS OF ACCOUNTING TREATMENT OF LIBRARIES

Category	Library Info	Opinion
Integrated Public Library System	<ul style="list-style-type: none"> * The RD deals with all the staffing of the libraries (library employees are employees of the RD). * Library budget is a service component of the RD budget. 	<p>The library service is administered through the regional district and the RD has power over the operations of the library. <u>Therefore it is controlled by a regional district.</u></p>
Municipal Libraries	<ul style="list-style-type: none"> * <u>Board members are appointed by the municipality.</u> * A municipality may remove a board member for cause. * Library sets its own business and management policies * Libraries may hire and dismiss employees * Libraries have exclusive control over all expenditures approved in the budget 	<p>The majority of the library board is appointed by the municipality and <u>therefore it is controlled by the municipality.</u></p>
Regional Library Districts	<ul style="list-style-type: none"> * Two or more municipalities (plus one or more RDs) appoint board members; no one municipality or RD controls the board. * Library sets its own business and management policies. * Libraries may hire and dismiss employees. * Library may establish committees. * Library may acquire and dispose of land or buildings. * Libraries have exclusive control over all expenditures approved in the budget. 	<p>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 not controlled by a local government.</u></p>
Public Library Associations	<ul style="list-style-type: none"> * The majority of the board members are elected from members of an independent library association. * Library sets its own business and management policies. * Libraries may hire and dismiss employees. * Library may establish committees. * Library may acquire land or buildings (including leases). * Libraries have exclusive control over all expenditures approved in the budget. 	<p>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 not controlled by a local government.</u></p>

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