

# Regional District LGDE Help Manual

Local Government Infrastructure  
and Finance Branch

Ministry of Municipal Affairs

2021

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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 of Municipal Affairs (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](http://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 BC

### Statutory Requirements

The fiscal year for local governments is the calendar year. Section 376 of the *Local Government Act* refers regional districts to the *Community Charter* for guidance on financial reporting. 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 Chartered Professional Accountants of Canada.

Copies of the PSAB handbook may be obtained from their website:

Chartered Professional Accountants of Canada  
277 Wellington Street West  
Toronto, ON M5V 3H2  
Tel.: 1-800-268-3793  
Web Address: [www.cpacanada.ca](http://www.cpacanada.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.



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 and Other Commitments
- Part C – Statistics and Tangible Capital Assets and Asset Management

### 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 the Regional District LGDE Help Manual published by the Ministry of Municipal Affairs. The form is to be completed 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 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** – Analysis of Authorized Debenture Debt

### Part C – Statistics and Tangible Capital Assets and Asset Management

- **Schedule C1** – General Statistics for Rural Areas Only - These non-financial statistics are used to assess key non-financial indicators of the local government. This section may be adjusted to place greater emphasis on benchmarking and local government accomplishments as required under the Community Charter.
- **Schedule C2** – Tangible Capital Assets and Asset Management – Historical Cost, Accumulated Depreciation and Net Book Value. This schedule also includes information relating to Asset Management.

## 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 strong measure of the financial condition of a local government (i.e. its ability to meet long-term commitments).

The Statement of Financial Position should also provide information on 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* – cross referenced from section 373 *Local Government Act*.

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

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

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

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

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

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

Accounts receivable is broken down into two broad categories:

**Receivables from Governments (Line b1)**

Governments are defined as “Public Authorities”. This would include government agencies, other local government jurisdictions and school and health jurisdictions.

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

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

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

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

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

Includes all accounts receivable not relating to a government body.

**MFA Deposit Notes (Line c)**

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 as 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.

**For Member Municipalities (Line c1)**

This is the value of notes held as security against the MFA debt reserve for borrowing done on behalf of member municipalities (in accordance with sections 15(2)(b) and (3) of the *Municipal Finance Authority Act*).

**For RD Services (Line c2)**

This is the value of notes held as security against the MFA debt reserve for direct regional district service borrowing (in accordance with sections 15(2)(a) and (3) of the *Municipal Finance Authority Act*).

**Loans Receivable (Line d)**

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

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

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

This is the outstanding balance of all resolutions passed by member municipalities in order to secure regional district borrowing from the MFA under sections 182 of the *Community Charter* and 410 of the *Local Government Act*. This amount should

equal the balance of long-term debt on behalf of member municipalities (Schedule A2 – Line m1a). This amount is drawn down annually by the value of the principal payments and actuarial adjustments on the debt of the member municipalities.

**Other Loans Receivable (Line d2)**

These are loans issued by the regional district as a form of assistance (under section 272 of the *Local Government Act*). These loans may be extended to not-for-profit organizations and public private partnerships as well as for heritage conservation projects

**Other Financial Investments (Line e)**

All financial investments not included in Schedule A2 Line a should be included here. These are investments that are not readily convertible to cash, including all portfolio investments (PS 3040) not included in section 183 of the *Community Charter (cross referenced from section 373 Local Government Act)*. Investments in government business enterprises (PS 3070) and government business partnerships (PS 3060.32) are also entered in this line

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 f)**

Property Held for Resale should include inventories of goods, land and improvements intended for sale to outside organizations or individuals. The property should be valued at the lower of cost or net realizable value. Under PS 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.

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.

**Government Business Enterprise Equity (Line g)**

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 and 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.

**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.

**Total Financial Assets (Line i)**

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

## **5(a)(ii) - Liabilities**

### **Revenue Anticipation Borrowing (Line j)**

This includes Revenue Anticipation Borrowing (under section 404 of the *Local Government Act*) and amounts payable for borrowings from banks or other sources for the purpose of temporary financing (generally with a term of one year or less). This should **not** include either short-term capital borrowing (S. 405) or interim financing for capital projects which is classified as long-term debt on Line m of this schedule.

### **Accounts Payable and Accrued Liabilities (Line k)**

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 k1)**

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 k2)**

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

### **Restricted Revenue (Line l)**

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 Section 373 of the *Local Government Act*, which are considered a form of equity.

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

**MFA Debt Reserves (Line I1)**

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.

**MFA Debt Reserves for Member Municipalities (Line I1a)**

This is the value of the MFA debt reserve for borrowing done on behalf of member municipalities (in accordance with section 410 of the *Local Government Act* and sections 15(2)(b) and (3) of the *Municipal Finance Authority Act*).

**MFA Debt Reserves for RD Services (Line I1b)**

This is the value of the MFA debt reserve for direct regional district service borrowing (in accordance with sections 15(2)(a) and (3) of the *Municipal Finance Authority Act*).

**Development Cost Charges (Total Line I2)****Water (Line I2a), Sewer (Line I2b), Drainage (Line I2c), Parks (Line I2d)**

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 I3)**

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.

**Deposits (Line I4)**

Include deposits and holdbacks on this line.

**Other Restricted Revenue (Line I5)**

Include other restricted revenues that are not included in the restricted revenue categories previously listed.

**Deferred Revenue (Line m)**

"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 (over 1 year) (Line n)**

"Long-Term Debt" is a long-term obligation of the regional district resulting through borrowing from an external party with a repayment term of more than one year. This can include, but is not limited to, debenture debt (issued from the MFA – under Sections 410 and 411 of the *Local Government Act*), short-term capital borrowing (under s. 405) and interim financing of capital projects (under S. 403). All such debt is fully recognized in the Statement of Financial Position. This amount does **not** include long-term obligations under leasing agreements – for more information on leases please see Line n, Schedule A2.

#### **Some Features of Long-Term Debt and 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. (See PS 3230.05)

**b) Sinking Funds** – In some unusual cases a regional district may have some old debenture debt that was not issued through the MFA; in these cases, there is the possibility that the regional district holds sinking funds. These are funds established specifically to retire debenture debt upon maturity. If a regional district has sinking fund debt, the debt should be valued at the gross amount of the long-term debt issued (Line n, Schedule A2) and the amount of the sinking fund assets should be disclosed as restricted revenue (under Line L5 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 272 of the *Local Government Act*). These guarantees are treated as contingent liabilities in accordance with PS 3310 and 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. PS 3230 and 3310 provide more information on the treatment of Long-Term Debt and Guarantees.

**MFA Debt (Line n1)**

Any long-term debt, as defined above, issued through the Municipal Finance Authority under the *Municipal Finance Authority Act*. Accrued actuarial is no longer required to be included on this line. This line should match amount reported on the audited financial statements.

**MFA Debt on behalf of Municipalities (Line n1a)**

This is the outstanding balance of all debt issued by the regional district on behalf of member municipalities under section 410 of the *Local Government Act*. This amount should equal the balance of loans receivable from member municipalities (Schedule A2 – Line d1). This amount is drawn down annually by the value of the principal payments and actuarial adjustments on the debt of the member municipalities.

**MFA Debt on behalf of Regional Services (Line n1b)**

This is the outstanding balance of all debt issued by the regional district for regional services under section 411 of the *Local Government Act*. This amount is drawn down annually by the value of the principal payments and actuarial adjustments on the debt relating to these services.

**Other Long-Term Debt (Line n2)**

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).

**Leases and MFA Equipment Financing (Line o)**

Leases are included as “liabilities under agreement” as set out in Section 175 of the *Community Charter* – cross referenced from section 403 of the *Local Government Act*. There are two types of leases, capital and operating. A **capital lease** is a lease agreement which transfers substantially all of the benefits and risks of asset ownership to the lessee (i.e. the local government). This is contrasted with an **operating lease** which involves no substantial transfer of risk and reward (e.g. a standard rental agreement). Capital leases are recognized in the Statement of Financial Position; operating lease payments are recognized as expenses in the Statement of Operations.

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; and,
- 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:

- leased property is deemed to provide an essential service;
- local government contributed significant financial assistance to the cost of the asset;
- local government has significant control over the idle capacity of the asset;
- local government retains control or ownership of the land where the asset is located;
- local government shares in any gains or losses resulting from the lease;
- local government is responsible for maintenance and/or insurance of the asset; and,
- 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/Equipment Financing (Line o1)**

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

**Other Leases (Line o2)**

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

**Future Obligations (Line p)**

This refers to future landfill and employee obligations.

**Landfill Closure/Post Closure Liability (Line p1)**

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

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

**Where:**

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

B = Total used capacity of the landfill

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

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

Closure expenditures include the construction of facilities for:

- drainage;
- leachate;
- water quality monitoring; and,
- 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 p2)**

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 regional district as either a multi-employer plan or multiple-employer plan (under PS 3250.105).

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

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

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 and 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 and .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 and .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 regional district 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 Future Obligations (Line p3)**

Include other future obligations that are not included in the *future obligations* categories previously listed.



**Other (Line q)**

"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 r)**

The sum of all liability categories (Line j to Line q).

**Net Financial Assets / (Net Debt) (Line s)**

Total financial assets less total liabilities (Line i minus Line r).

## **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.

**Write Offs** – When a physical asset no longer provides the local government with a good and/or service, or its value is less than the net book value, the cost of the asset should be written down to reflect the reduction in the asset's value. Such a write down should not be reversed.

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

**Lines t through ae are populated automatically after Schedule C2 has been filled out. For descriptions of these fields, refer to Schedule C2.**

### **Inventory of Supply (Line af)**

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 ag)**

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 ah)**

The summation of all non financial assets (Lines t through ag).

**Accumulated Surplus (Line ai)**

The sum of the Net Financial Assets (Line s) and the Total Non-Financial Assets (Line ah). Must equal Total Surplus (Schedule A2 - Line an).

## **5(a)(iv) - Accumulated Surplus**

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

### **Operating Fund (Line aj)**

This is generally the accumulated fund surpluses in the operating funds of the local government (including any **appropriated surplus** and **reserve accounts** established through board resolutions). This does **not** include Reserve Funds. Any unfunded balances should be netted from the operating fund.

### **Statutory Reserve Fund (Line ak)**

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 L in Schedule A2). 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 al)**

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 ag). 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 Statutory Reserve Funds (Line ak).

**Equity in Tangible Capital Assets (Line am)**

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 t to ad – 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 (Line ae Schedule A2) less the value of any Long-Term Debt (Lines n1b and n2 Schedule A2) and Leases Liabilities (Line o Schedule A2).

**Total Surplus (Line an)**

This is the sum of Operating Fund, Statutory Reserve Fund, Capital Fund and Equity in Tangible Capital Assets (lines aj to am – Schedule A2). This amount must equal Accumulated Surplus (Schedule A2 – Line ai).

## **5(b) - Statement of Operations – (Schedule A3)**

The Statement of Operations provides a summary of the sources, allocations and uses of a regional district'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 local government chart of accounts set by Statistics Canada.

### **a) Structure of the Statement of Operations:**

A	Revenue ( <b>Section 1</b> )
B	Expenses ( <b>Section 2</b> )
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. 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 f (PS 1000.60). A gain may be recognized under "Gain on Disposition / Revaluation of Financial Assets" Line g.

### **Definitions**

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

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

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

Both the federal and provincial governments have special legislation to make payments in place of taxation to both municipalities and the surveyor of taxes. The payments in place are then transferred to the regional district under section 389 of the *Local Government Act*.

This line item does **not** include any conditional or unconditional government grants; these grants are recorded as Transfers from Other Governments in the Statement of Financial Activities (Line c – Schedule A3).

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

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

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

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

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

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

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

This includes all revenues levied under section 378 of the *Local Government Act* (Fees and Charges). This also includes any sales of other goods and/or services to individuals, organizations, or governments (or their agencies).

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

**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 (Garbage/Recycling) (Line b3)**

- includes garbage pickup, landfill and recycling sales revenue

**Parks/Rec/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, franchise and concession contracts and rentals.



### Transfers from Other Governments (Line c)

A government transfer is a conveyance of money to the local government from another public authority (as defined under section 2 of the *Local Government Act*), where the public authority does not:

- receive goods or services in return for the conveyance of funds;
- expect to be repaid for all or a portion of the conveyed funds; or,
- 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; and,
- a cost sharing arrangement involving multiple levels of government under terms of a contractual agreement.

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

- **payments in place of taxes** – These are included under the “Payments in Place of Taxes” line (Schedule A3 - Line a);
- **internal transfers** within the local government reporting entity (for more information on the local government reporting entity, please see part three of this Help Manual).

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

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

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

**Conditional transfers** are used for a specific purpose (e.g. planning grants and infrastructure grants usually involve a specific project or Library grants are for a specific area of local government operations). **Unconditional transfers** are not earmarked for a specific purpose. Thus, the local government has full discretion on the use of funds from an unconditional transfer.

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

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

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

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

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

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

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

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

**Electoral Area Requisitions (Line c4a)**

These are funds requisitioned annually by the regional district to the surveyor of taxes for collection in electoral areas in accordance with section 387 of the *Local Government Act*.

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

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

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

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

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

**Local Government Requisitions (Line c5a)**

These are funds requisitioned annually by the regional district to member municipalities for collection of taxes in municipal areas in accordance with section 385 of the *Local Government Act*.

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

This is money transferred from member municipalities to the regional district for the purpose of discharging debt obligations under section 410 of the *Local Government Act* (Financing Municipal Undertakings).

**Other Regional Transfers (Line c5c)**

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

**Investment Income (Line d)**

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

- and dividends on securities; and,
- on loans and advances.

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

Investment income **does not include one-time gains or losses** from asset disposition (or asset revaluation) or **rental income** . Gains are recorded on Lines g1 and g2 (for financial assets) or Line h (for tangible capital assets). Losses are recorded on Line v and rental income is recorded under Line b6 “Other Sale of Services” – all of these line items are on Schedule A3.

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

DR Cash	xxx
CR Restricted Revenue	xxx

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

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

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

Some local governments have (in the past) netted actuarial adjustments from interest expenditures. This is **not** the recommended application of PSAB or Provincial Reporting Requirements. The actuarial adjustment is a reduction to the principal on long-term debt (not interest). By netting these adjustments from interest expenditures, the true interest financing costs of a local government are understated.

The recommended approach is to treat actuarial adjustments as a form of notional investment income (used to draw down debt). This agrees with the previous definition of revenue that includes an increase in economic resources by way of a reduction in liabilities. The recommended transaction is as follows:

<b>DR</b> Actuarial Adjustments Receivable	xxx	
<b>CR</b> Investment Income		xxx

*(Recognition of the Actuarial adjustment when annual invoice is sent from the MFA)*

<b>DR</b> Debentures Payable	xxx	
<b>CR</b> Actuarial Adjustments Receivable	xxx	

*(Reduction of long-term debt by the actuarial adjustment amount)*

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

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

<b>DR</b> Long-Term Debt (on behalf of member mun)	xxx	
<b>CR</b> Loans Receivable (from mun)		xxx

*(For actuarial adjustments on member municipal debt)*

For more information on annual debt payments from member municipalities please see Line c5b – Schedule A3 (Member Municipality Debt Payments) and Line t – Schedule A3 (Debt Payments for Member Municipalities).

**Income from Government Business Enterprise Equity (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.

### **Total Developer and Other Contributions/Donations (Line f)**

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

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 L2a to L5).

#### **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*).

#### **Developer Asset Donations (Line f2)**

This is for any developer asset donations to the municipality.

#### **Other Developer Contributions/Donations (Line f3)**

This includes other developer contributions/donations (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 developers should be included on this line.

#### **Non-Developer Contributions/Donations (Line f4)**

This includes all other contributions/donations that are from non-developers or other entities.

### **Gain on Disposition or Revaluation of Financial Assets (Line g)**

This reports any gains from the disposal or revaluing of financial assets (**not** tangible capital assets).

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

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

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

**Land held For Resale (Line g1)**

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

**Other Gains and Losses (Line g2)**

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

**Gain on Disposition of Tangible Capital Assets (Line h)**

This is the gain 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 on disposition of tangible capital assets (Schedule A3 – Line h).

**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 (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 Expenses**

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 Expense 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 recorded in Line u.

### **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 j2, police station to Line k2, and recreation facility to Line p2 – 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 A3 line d) and flow through the Analysis of Authorized Debenture Debt (Schedule B1, Line i).

### **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 regional district a whole, including:

- Central Administration
  - Office of Chief Administrator
  - Corporate Planning
  - Legal Services
  - Support Services
  - Public Relations
  - Elections and Referenda
  - Consulting Services
  - Membership in Local Government Associations
- Central Finance
  - Accounting
  - Auditing
  - Budgeting
  - Payroll
  - Taxation
  - Risk Management
  - Grant Management
  - Licensing Administration
- Central Human Resources
- Central Information Systems

#### Legislative Operations (Line k1b)

This reports board-related and legislative activities of a local government. These may include board remuneration and benefits (under section 168 of the *Community Charter* cross-referenced from section 373 of the *Local Government Act*) plus any additional costs associated with the legislative operations of the board.

#### 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 j1a to j1c.

**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* (plus related provisions under the *Justice Administration Act*), and includes the following:

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

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

**Fire Protection Operations (Line L1b)**

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

- prevention (including public education);
- protection;
- suppression;
- investigation; and,
- any additional powers under the *Fire Services Act* and Section 328 of the *Local Government Act*.

### **Bylaw Enforcement Operations (Line L1c)**

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

- staffing bylaw enforcement officers (under section 16 of the *Community Charter*) and
- prosecution of bylaw offences (under section 263 of the *Community Charter*).
- Bylaws that require an enforcement mechanism include, but are not limited to, those listed in section 747 of the *Local Government Act*, including:
  - general regulatory bylaws under section 335 of the *Local Government Act*,
  - building inspection,
  - animal control,
  - noise control,
  - nuisance control (including littering, noxious emissions and unsightly premises),
  - fireworks,
  - security and alarm systems, and
  - soil/gravel removal and deposit.

### **Other Protective 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 k1a to k1d.

### **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 A3”).

### **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 315 of the *Local Government Act*). The definition of solid waste includes, but is not limited to:

- garbage;
- litter;
- refuse;
- biomedical wastes; and,
- special wastes (as defined under section 1 of the *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 p1).

### **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;
- conventions and tourism; and,
- resort business improvement areas (sections 275 of the *Local Government Act* and 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, including operating and maintenance costs of the following:

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

\*\*\* If **drainage** and storm sewer infrastructure are part of 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 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) including any financing for such utilities under section 275 of the *Local Government Act*.

## **Other Services (Line t)**

### **Operations (Other Services) (Line t1)**

This line item reports all annual operating costs related to any regional district function not previously listed in Lines k to s (Schedule A3). Such services may include cemeteries, airports, wharves and 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”).

## **Debt Payments for Member Municipalities (Line t)**

This includes the semi-annual payments to the MFA on behalf of member municipalities for the financing costs of their debt (in accordance with section 410 of the *Local Government Act*). This is a formula driven cell that links to Line c5b – Schedule A3 (Transfers from Member Municipalities for MFA Debt Payment). If, for some reason, these two cells should not equal, make an adjusting entry in “Other Adjustments” (Line w – Schedule A3).

## **Total Loss on Asset Dispositions (Line v)**

This is the summation of loss on asset dispositions (Lines v1 through v3).

“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.

## **Loss on Disposition/Revaluation of Financial Assets (Line v1)**

This is the loss from the disposal or revaluing of financial assets (**not** tangible capital assets which report disposals and write-downs on lines v2 and v3). MFA refunds are entered here.

**Loss on Sale of Tangible Capital Assets (Line v2)**

This reports any loss from the sale of tangible capital assets.

**Write-Off of Tangible Capital Assets (Line v3)**

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 off to reflect the reduction in the asset's value. A write-off should not be reversed. This line reports any write-off of tangible capital assets. Must equal Write Offs of Tangible Capital Assets (Schedule A5 – Line f).

**Other Adjustments (Line w)**

This includes other expenditures that do not easily fit into any of the above functional categories. **Note:** Do not include losses from asset disposition or revaluation on this line. Instead include any gains on either Lines g1 or g2 (for financial assets) or Line h (for tangible capital assets) on Schedule A3. Losses or write-off should be recorded on Lines v1, v2 or v3.

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

**Total Expenses (Line x)**

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

**Annual Surplus / (Deficit) (Line y)**

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

## **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 to the year-to-year change in Net Financial Assets / Debt in the Statement of Financial Position (Line s – Schedule A2) in accordance with PS 1200.074 (d).

### **Annual Surplus / (Deficit (Line a)**

This is a linked cell from Line y 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 t to ad). “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 o)” 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; and,
- 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; and,
- 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 Offs 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 multi-purpose 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 should equal the amount from Schedule A3 – Statement of Operations line h less line v2. If there were no proceeds on the disposition of a tangible capital asset 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 Offs 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-off should not be reversed. The write off is entered as a loss on Line v3 of Schedule A3 and is offset here in Line f by an equal, but positive, amount. If there were no proceeds on the disposition of a tangible capital asset the loss should be considered a write-off and be recorded on line f.

**Acquisition of Supply Inventory (Line g)**

This is the value of supply inventory acquired during the year. Amount entered on this line cannot be negative.

**Acquisition of Prepaid Expenses (Line h)**

This is the value of prepaid expenses acquired during the year. Amount entered on this line cannot be negative.

**Consumption of Supply Inventory (Line i)**

This is the value of supply inventory that was expensed during the year. Amount entered on this line cannot be negative.

**Consumption of Prepaid Expenses (Line j)**

This is the value of prepaid expenses that were expensed during the year. Amount entered on this line cannot be negative.

**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. Positive revaluations of tangible capital assets 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 s in Schedule A2).

## 6. Debt Schedules

This part of LGDE tracks the total debt level of a local government that arises from adopted bylaws in accordance with sections 405 (short-term capital borrowing) and 406 (loan authorization bylaw) of the *Local Government Act*. This part of LGDE also tracks any other long-term commitments that may not be included in the Statement of Financial Position.

### 6 (a) Analysis of Authorized 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 total amount of authorized but unissued borrowing.

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

Totals long-term debt issued by the regional district and MFA. This is a formula cell and equals the total from Lines a1, a2, a3, a4 and a5 of Schedule B1.

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

For regional districts, this line item should equal the unmaturing portion of debt issued under the authority of a loan authorization bylaw (S. 406) but **not** issued through the MFA. This would generally include borrowing under the authority of a loan authorization bylaw that is done through a government loan program (e.g. CMHC loans and Downtown Revitalization loans).

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

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

This line item should equal the unmaturing portion of debt issued through the MFA for regional district services under section 403 of the *Local Government Act*. This is strictly limited to debenture issues under the authority of a loan authorization bylaw and any interim capital financing through the MFA.

This should not include debt issued on behalf of member municipalities (section 410 of the *Local Government Act*), which is recorded in Line a3.



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

This line item should equal the unmatured portion of regional debt issued through the MFA for member municipalities under section 410 of the *Local Government Act*. This is strictly limited to debenture issues under the authority of a municipal loan authorization bylaw and any interim capital financing through the MFA.

**Capital Lease Liabilities (Line a4)**

This amount should equal the total capital leases summarized in Line n 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 Issued (Line a5)**

Include in this line the total amount borrowed under section 405 of the *Local Government Act* less the balance repaid to date. Do not include any amounts authorized under section 405 that are not actually borrowed (this is addressed in Line b3).

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

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

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

Authorized but unissued borrowing occurs where a regional district has the authority to borrow for regional services under bylaw (section 406 of the *Local Government Act*) but has not yet issued securities under section 403 of the *Local Government Act* or received a loan under a government loan program. This amount represents legally authorized, but unutilized, borrowing authority of the local government.

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

This is borrowing authority for member municipalities established under a municipal loan authorization bylaw (section 179 of the *Community Charter*), which has not yet gone to security issuing through the regional district under section 410 of the *Local Government Act*.

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

This line represents the total regional borrowing authority approved by bylaw under section 405 of the *Local Government Act* that has not yet been borrowed under Line a5 (Short-Term Capital Borrowing). As the debt has not yet been incurred, it is not captured in the Statement of Financial Position.

### **Total Debt (Line c)**

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

### **Reconciliation**

This is strictly for the portion of debt that has been issued for the purposes of regional district services under section 403 of *The Local Government Act*. Debt issued for member municipalities is excluded from this section.

### **Long-Term Debt at Beginning of Year (Line d)**

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

### **Proceeds from New Debt Issued in Year (Line e) and Proceeds from Term Refinancing (Line f)**

Section 165 of the *Community Charter* prohibits local governments from running sustained deficits; therefore, most long-term debt of a local government is to support capital asset financing.

Lines e and f represent the total value of financial proceeds from borrowing received by the municipality from the MFA (or other financing organizations) during the accounting period. Borrowing proceeds do not flow through the Statement of Operations (Schedule A3).

Proceeds from Term Refinancing, line f, refers to debt that was previously temporarily borrowed under s. 181 of the *Community Charter* that was refinanced into long-term debt under s.179 of the *Community Charter* during the current reporting year.

Proceeds from New Debt Issued in Year, line e, refers to all other debt issued in the year that was not a result of term refinancing. This line item represents the amount of new debt issued in the reporting year to fund the purchase of tangible capital assets (Form A5 line b).

### **Debt Repayment (Line g)**

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

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).

**DO NOT ENTER THIS LINE ITEM AS A NEGATIVE NUMBER** – enter it as a positive number and the program will subtract it from Debt at the Beginning of the Year Line d.

### **Actuarial Adjustment (Line h)**

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.

Since the actuarial adjustment represents a direct reduction of long-term debt, like principal payments, each installment of the actuarial adjustment reduces the long-term debt and therefore represents a reduction in the external encumbrances on the local government’s assets.

Some local governments have (in the past) netted actuarial adjustments from interest expenses. 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 expenses, 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.

<b>DR</b> Actuarial Adjustments Receivable	xxx	
<b>CR</b> Investment Income (Actuarial adjustment)		xxx
<b>DR</b> Debentures Payable	xxx	
<b>CR</b> 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 invoices of interest and principal owed by the local government. However, the long-term debt on the Statement of Financial Position must still be drawn down. In this case, the annual actuarial adjustment (plus the amount that normally would have been paid as principal) is included as Investment Income in the “Actuarial Adjustments” line item (Line g). Any reduction or elimination of interest expenses is simply shown as a reduction in Interest in the Expenses Section of the Statement of Operations.

**Long-Term Debt at End of Year (Line i)**

This line is auto-calculated as the sum of lines d, e and f less the sum of lines g and h.  
The amount must equal the sum of Lines a1, a2, a4 and a5 above.

## 7. Statistics Schedules

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

#### Development Information

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

#### 1. Total Number of Building Permits Issued in Year (Line a)

This represent the total number of building permits issued in accordance with section 317 of the *Local Government Act*

**Residential (Line a1)** – All permits issued for building residential properties (residential being defined as Class 1 property under regulation to the *Assessment Act*).

**Industrial/Agricultural (Line a2)** – 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 (Line a3)** – All permits issued for building of commercial facilities (defined as Class 6 properties under regulation to the *Assessment Act*) except any institutional properties.

**Institutional (Line a4)** – 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 (Line a5)** – Building permits issued for any other types of development that do not fit into the above categories.

#### 2. Total Value of Building Permits (Line b)

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

#### 3. Total Construction Value of Permits (Line c)

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

#### 4. Community Amenity Contributions Collected (Line d)

Are in-kind or cash contributions provided by property developers when a Municipal Council or a Regional Board grants development rights through rezoning.

#### 5. Density Benefit Contributions Collected (Line e)

Density bonus contributions must be established in zoning bylaws that set out the specific conditions needed in order to receive the increased Floor Area Ratio (FAR). Density Bonuses offer developments a level of density that surpasses the allowable FAR in exchange for in-kind or cash contributions for amenities or housing needed by the community.

**Number of Business Licenses Issued in Year (Line f)**

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

**Number of Regional District Employees (Line g)**

This is the number of full-time equivalent (FTE) regional district employees.

**Landfill Information****Remaining Useful Life of Landfill in Years (Line h)**

Amount of time before the landfill is full, exceeds the use arrangement, or exceeds regulatory restrictions. If there is more than one landfill in the local government, use a weighted average for the landfills.

Landfill remaining life weighted average formula:  
= ((Landfill 1 remaining life x Landfill 1 current value)  
+ (Landfill 2 remaining life x Landfill 2 current value))  
/ (Landfill 1 current value + Landfill 2 current value)

**Solid Waste Management Plan (Line i)**

The *BC Environmental Management Act* requires that all regional districts submit a solid waste management plan to the Province. See the *BC Guide to Solid Waste Management Planning 2016* on the Provincial website.

**Linear Assets in Kilometres**

The length, in kilometres, of assets within local government boundaries and under the authority of the local government.

**Water Linear Assets (Line j)**

Total length of linear drinking water supply and distribution infrastructure, from The treatment plant(s) to all serviced customers, regardless of pipe size and including reticulation mains (but not service lines where these are the responsibility of the customer). For example, 1km supply + 1km distribution and reticulation piping = 2km total assets.

**Sewer Linear Assets (Line k)**

Total length of linear wastewater collection and trunk infrastructure from all serviced customers to the treatment plant(s), regardless of pipe size. For example, 1 km collection piping + 1 km trunk = 2 km total assets.

**Drainage Linear Assets (Line L)**

Total length of linear stormwater conveyance infrastructure, regardless of pipe size. For example, 1 km collection piping + 1 km trunk = 2 km total assets.

### **Active Transportation Linear Assets (Line m)**

This covers paved, gravel, dirt, or natural paths and trails for human-propelled transportation, such as cycling, push-scootering, in-line skating, hiking, walking and other means. These assets include sidewalks, roadway cycling lanes, pathways beside roads and throughout the urban environment, and trails in parks and recreation areas. One kilometer of asset can accommodate one-way or two-way active transportation traffic.

### **Water Systems**

Potable water works systems include source intake, treatment, storage, transmission and distribution facilities, for residential and commercial purposes as defined under Section 1 of the *Drinking Water Protection Regulation* – BC Reg. 200/2003. These include water intakes, wells, treatment and disinfection facilities, reservoirs, pump-houses, pressure reducing valves (PRVs), supply, distribution and reticulation lines. Some potable water systems also supply industrial and agricultural users, whereas in some regions they utilize untreated water.

### **Number of Systems (Line n)**

The following count as separate water systems:

- Municipal drinking water system
- Each small/satellite system with a separate water source

### **Total Number of Service Connections (Line o)**

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

#### **Residential (Line o1)**

Total number individual residential service connections, regardless of housing type (single detached, attached, townhomes, and low/high-rise multi-unit residential) as per the Class 1 properties under the *Assessment Act*.

#### **Commercial and Institutional (Line o2)**

Number of service connections to commercial and institutional customers, using the *commercial* and *institutional* definitions in the *Assessment Act*.

#### **Industrial and Agricultural (Line o3)**

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

### **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 collector lines, trunks/mains, 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.

#### **Number of Systems (Line n)**

The following count as separate wastewater works systems:

- Municipal wastewater system
- Each separate system managed through a septic system or wastewater treatment facility

#### **Number of Service Connections (Line o)**

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

##### **Residential (Line o1)**

Number of individual residential service connections, regardless of housing type (single detached, attached, townhomes, and low/high-rise multi-unit residential), as per the Class 1 properties under the *Assessment Act*.

##### **Commercial and Institutional (Line o2)**

Number of service connections to commercial and institutional customers, using the *commercial* and *institutional* definitions from the *Assessment Act*.

##### **Industrial and Agricultural (Line o3)**

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

### **Primary Water Source (Line p)**

Select Surface/Ground from the dropdown menu. If multiple drinking water sources (i.e. a combination of groundwater and surface water) are utilized, pick the source from which the largest volume of drinking water is generally drawn from.



**Liquid Waste Management Plan (Line q)**

Select Yes/No from the dropdown menu. This field is also completed by those municipalities that are part of a regional Liquid Waste Management Plan.

## 7(b) Tangible Capital Assets and Asset Management (Schedule C2)

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.

### Land (Line a)

This includes:

- Land held or dedicated for green space, park usage, playing fields, and public squares;
- All improved or unimproved land, including parkland owned by the local government. This also includes rights-of-way and easements.
- Municipal forest reserve land under Section 640 of the *Local Government Act*
- **Do not include land improvements** here as they get amortized. Land improvements relating to parks and recreation should be included on line d1. All other land improvements should go in Other Tangible Capital Assets line j.
- **Do not include land held for resale**, because it is a financial asset and should be included in Schedule A2 - Line g.

### Buildings (Line b)

The Buildings asset category includes:

- Fixed structures owned by the local government and designed to accommodate people and/or equipment. E.g., Offices, garages, fire stations, warehouses, portable buildings, and other buildings and structures;
- Site improvements and accessory structures that specifically support the function of the building and would have limited independent usefulness without the building. E.g., Parking lots, lighting, fencing;

- Park-related buildings or structures with plumbing, electrical, and heating. (In comparison, sheds, picnic shelters, and other structures in a park should go under “Other Parks and Recreation”.); and,
- Golf course buildings. (In comparison, the actual golf courses go under “Parks and Recreation”).

### **Fleet (Line c)**

These are generally local government owned movable assets used for performing public services and municipal work, consisting mostly of transit vehicles, maintenance and service vehicles, and fleet vehicles. This does not include smaller mobile equipment with shorter lifetimes, as these are generally accounted for under the local government’s operating expenses, rather than capital expenditures.

**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.

### **Parks and Recreation (Line d)**

This line is for park and recreation assets and land improvements relating to parks including playgrounds.

#### **Land Improvements (Line d1)**

These are enhancements to plots of land to make the land more usable, such as drainage, irrigation, fences, park land and supporting trailers and shelters as well as playing fields and supporting accessories and shelters. **Only land improvements relating to Parks and Recreation should be recorded on this line, all other land improvements should go on line j: Other Tangible Capital Assets.**

#### **Other Parks and Recreation (Line d2)**

These are recreational assets **not** already included under “Land”, “Buildings”, and “Land Improvements” above. Examples of assets to include here are skate parks, outdoor ice rinks, outdoor pools and splash parks, outdoor performance venues/stages, and similar outdoor assets.

### **Water Supply System (Line e)**

Water supply systems include source intake, treatment, storage, transmission, and distribution facilities for residential and commercial purposes, as defined under Section 1 of the *BC Drinking Water Protection Regulation* – BC Reg. 200/2003. Some water systems also supply industrial and agricultural users, whereas, in some regions, those industrial/agricultural users utilize untreated water.

### **Water Supply and Treatment (Line e1)**

These include:

- Water *supply* assets, such as intakes/wells, raw water pumps, water supply pipelines, raw water reservoirs, and related valves; and,
- Water *treatment* assets, such as treatment facilities, treated water reservoirs, and related valves.

### **Water Distribution and Reticulation (Line e2)**

These include distribution mains/pipes, reticulation pipes feeding individual neighbourhoods, pump stations for distribution around the network (if not fully gravity-fed), chlorine booster stations, and related valves.

### **Sewer (Wastewater) System (Line f)**

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). This **may also include storm sewer infrastructure**, if it is fully combined with the sanitary sewer system.

#### **Sewer Treatment (Line f1)**

These include screening, treatment, reservoirs, reuse/recycling, disposal, and outfalls.

#### **Sewer Collection and Mains (Line f2)**

These include collector lines, mains, pumps (if not fully gravity-fed), and related valves.

### **Drainage (Stormwater) System (Line g)**

These include:

- Natural stormwater management assets, such as wetlands and bioretention areas, vegetated or dry swales, dikes, drainage ditches, and watercourses as set out in Section 307 of the *Local Government Act*;
- Culverts and piped assets that convey only stormwater; and,
- Stormwater screening, treatment (physical or chemical), and 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.

### **Transportation System (Line h)**

Unlike municipalities, regional districts are not responsible for rural roads. Include any transportation assets other than public roads vested with the municipality.

**Other Engineering Systems (Line i)**

Any other engineered structures not included in the previous asset categories, such as electricity distribution and others.

**Other Tangible Capital Assets (Line j)**

This category covers any items not included in the above descriptions but fitting the general requirements of tangible capital assets. This line also includes land improvements not relating to parks.

**Work in Progress (Line k)**

Enter work-in-progress on this line.

**Total Tangible Capital Assets (Line L)**

The summation of all tangible capital assets (Lines a through k).

**Section 1: Tangible Capital Assets Historical Cost and Planning Information****Historical Cost**

This is the value of an asset at its original cost when acquired. Enter the balance at end of year for historical cost amounts for each category from the Statement of Tangible Capital Assets.

**Accumulated Amortization**

Cumulative amount of all amortization expense that has been charged against a tangible capital asset. Enter the balance at end of year for accumulated amortization amounts for each category from the Statement of Tangible Capital Assets.

## Asset Management

Asset Management is an integrated process that brings together: information about a community's physical assets; finances and; the skills, expertise, and activities of people. It allows more informed decisions that support Sustainable Service Delivery. The diagram below shows the asset management process/cycle from the [Asset Management BC Framework](#).



## Asset Management Plan

A long-term plan that outline the assets, asset conditions, levels of service, asset and service risks, activities and programs for each service area, and resources required to provide the desired level of service in the most cost-effective way. Each Asset Management Plan is a readable and user-friendly living document that is continuously improved to incorporate new information or changing requirements.

This is a dropdown menu. Please select “yes”, “no” or “in progress” to having an asset management plan for each field. If there is an amount entered in the Historical Cost section, an option needs to be chosen for the Asset Management section.

### **Risk Register Supporting Asset Group**

Inventory of the risks facing an asset class or an individual asset. Each risk factor is typically recorded with a risk identification number, hazard event, cause (of the event), consequences (of the event), likelihood (of the event), and the resulting risk score. For more information on Asset Management risks, see:

<https://www2.gov.bc.ca/gov/content/governments/policies-for-government/capital-asset-management-framework-guidelines/risk-management>

This is a dropdown menu. Please select yes, no or in progress to having a risk register supporting the asset group. If there is an amount entered in the Historical Cost section, an option needs to be chosen from the dropdown menu for the Asset Management section.

## **Section 2: Tangible Capital Assets Additions in Year**

### **Asset Additions**

This is the present dollar value of all renewed, upgraded, and new assets added during the year.

#### **Renewed Assets**

*Renewed* assets are those that have undergone *replacement* during the year to **restore the same level of service as the original asset**. These are facilities entirely replaced or with infrastructure elements refurbished, rehabilitated, or replaced. Materials and components are replaced with ‘like for like’ or modern equivalents (new materials or technology). Examples include the replacement of a pipe or replacement of a playground like-for-like.

Any *maintenance* of assets falls under the annual operating budget, not capital renewed assets.

#### **Upgraded and Expanded Assets**

*Upgraded* assets are those that have undergone *enhancements* during the year to **improve the quality of service compared to what was originally in place**. It also includes equipment or works needed to meet updated regulations, such as seismic upgrades or ammonia chiller replacements in arenas.

*Expanded* assets are those that have undergone *enhancements* during the year to **improve the *capacity* of service compared to what was originally in place.**

### **New Assets**

*New* assets are newly added facilities and infrastructure elements that are not replacing existing assets. *New* assets also improve the level of service. An example is that the assets required to add an additional stage of water treatment are marked as new assets, not *expanded* assets.

**Note:** If you are currently unable to split out the asset additions into renewed assets, upgraded and expanded assets and new assets, please enter all additions into the new asset category.



## Section 3: Tangible Capital Assets Replacement Value and Average Age

### Current Replacement Value

This is the amount the owner would have to pay to replace the assets at the present time, according to their current worth.

### Estimated Annual Replacement Value Amortization

This is the current year's amortization amount in replacement value dollars.

### Average Expected Life

The **weighted** average number of years that the represented assets are expected to last, from start of life to end of life.

### Average Age

The **weighted** average age, in years, of the assets represented, based on their installed dates and the current date.

## Section 4: Physical Condition

To facilitate understanding, communication, and decision-making within an organization and across public and private sectors, the international conventions for asset management are to rate the condition of all owned assets using three condition types: physical condition, demand vs. capacity (utilization), and functionality. For consistency, the owner rates each asset as Very good/Good/Fair/Poor/Very poor for **each** of the three condition types. As a result, upon roll-up of each asset category, the total asset value is represented as % Very good, % Good, % Fair, % Poor, or % Very poor, with the total equalling 100%.

### Condition Type 1: Physical Condition

Asset Management BC defines this as:

*“The condition of an asset enables it to meet intended service or operational levels. The physical condition of an asset can be compared to its ability to meet original design standards. The assessment of the condition of an asset should reference its operational and physical characteristics and technical, engineering and other specifications. It should also take into consideration the asset’s durability; the quality of its design and manufacture / construction; its use; and the asset’s design maintainability and adequacy for required maintenance.”*

For each asset type, enter the percent breakdown of total asset value at each level of **physical condition**. Rate each asset's *current* physical condition, considering the specifications, performance, quality, durability, usability, maintainability, and other technical characteristics of materials and engineered components/systems.

If physical condition is not yet tracked for individual assets in a category, please estimate the percent breakdown using professional experience.

## Section 5: Capacity vs Demand Utilization

### Condition Type 2: Demand vs. Capacity Utilization

Asset Management BC defines this as:

*“The capacity of the asset to meet existing requirements. Demand/capacity is related to asset performance. Measuring this attribute would involve establishing subjective baseline service or operational levels against which to measure actual performance. The demand/capacity attribute brings into scope the asset’s efficiency and effectiveness measures.”*

For each asset type, enter the percent breakdown of total asset value at each level of asset **utilization**. Rate each asset’s *current* operational capacity to meet the community’s *current or forecast* demand for services, service levels, and number of users.

The municipality should look to their relevant specialists in each asset category to define each rating level (Very good/Good/Fair/Poor/Very poor) to be most useful in decision-making for that particular asset category.

If utilization is not yet tracked for individual assets in a category, please estimate the percent breakdown using professional experience.

## Section 6: Functionality

### Condition Type 3: Functionality

Asset Management BC defines this as:

*“The ability of the asset to meet service or operational delivery requirements. Functionality is closely aligned with the asset’s whole-of-life performance measures such as early life, useful life, and wear-out or residual life operational performance. Functionality includes other considerations such as changes in legislation and environmental standards.”*

For each asset type, enter the percent breakdown of total asset value at each level of asset **functionality**. Rate each asset’s *current* functionality compared to the *desired* functionality, considering the asset’s ability to deliver the desired services and service levels, the asset’s compliance with the latest applicable regulations and standards, and any other considerations (not already included in the other two condition types) that the municipality uses for decision-making in that asset category. E.g., The updated safety requirements for ammonia-based chillers in indoor arenas means the affected

arenas might move from Good to Very poor, since those arenas no longer meet the latest regulatory requirements.

The municipality should look to their relevant specialists in each asset category to define each rating level (Very good/Good/Fair/Poor/Very poor) to be most useful in decision-making for that particular asset category.

If functionality is not yet tracked for individual assets in a category, please estimate the percent breakdown using professional experience.

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

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

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

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