

Regional District LGDE Help Manual

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5. Financial Schedules

5(a) – Statement of Financial Position Schedule A2 (PS 1200)

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 f).

Accounts Receivable (Line b)

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

Accounts receivable is broken down into two broad categories:

Receivables from Governments (Line b1)

Governments are defined as "Public Authorities" under section 2 of the *Local Government Act*. (Including government agencies, other local government jurisdictions and school & 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 Deposits (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)&(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)&(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 (under Part 5, Division 4 of the *Local Government Act*).

Other Financial Investments (Line e)

All financial investments not included in Schedule A2 Line a should be included here. These are investments that are not readily convertible to cash, including all portfolio investments (PS 3040) not included in section 183 of the *Community Charter* (cross referenced from section 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.

Other Financial Assets (Line g)

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 h)

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

5(a)(ii) - Liabilities (Sch A2)

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

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. 822) or interim financing for capital projects which is classified as long term debt on Line m of this schedule.

Accounts Payable and Accrued Liabilities (Line j)

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

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

Government (Line j1)

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 j2)

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

Restricted Revenue (Line k)

These are assets and/or revenues that are subject to restrictions through either legislation or agreement. These restrictions limit the use of the assets or revenues to specific purposes not relating to 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 k1)

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 k1a)

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)&(3) of the *Municipal Finance Authority Act*).

MFA Debt Reserves for RD Services (Line k1b)

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

Development Cost Charges (Total Line k2)

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

Money in development cost charge reserve funds, together with interest on it, may be used only as set out in Section 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 k3)

Section 510 of the *Local Government Act* provides that an owner of land that is proposed for subdivision must either provide parkland or money equal to the market value of the parkland that would have been required. This money must be accounted for separately.

Other Restricted Revenue (Line k4)

Include deposits, holdbacks and other restricted revenues that are not included in the restricted revenue categories previously listed.

Deferred Revenue (Line l)

"Deferred Revenues" are monies received prior to a transaction or event that gives rise to the revenues. Another example of deferred revenue is a prepayment by a resident for a local improvement or a specified area borrowing. Such deferred revenue (for local improvements) should be amortized and reported as taxation revenue over the remaining term of the borrowing.

Long-Term Debt (Line m)

"Long Term Debt" is a long term obligation of the regional district resulting through borrowing from an external party with a repayment term of more than one year. This can include, but is not limited to, debenture debt (issued from the MFA – under Sections 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 & 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 m, Schedule A2) and the amount of the sinking fund assets should be disclosed as restricted revenue (under Line m4 in schedule A2). See PS 3230.03.

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

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

Such guarantees are permissible if secured by either a bylaw or agreement (under section 272 of the *Local Government Act*). These guarantees are treated as contingent liabilities in accordance with PS 3310 & Section 3290 of the CICA Handbook.

As contingencies, such liabilities are not recognized in the Statement of Financial Position unless the liability is estimable and likely to occur. PS 3230 & 3310 provide more information on the treatment of Long Term Debt and Guarantees.

MFA Debt (Line m1)

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

MFA Debt on behalf of Municipalities (Line m1a)

This is the outstanding balance of all debt issued by the regional district on behalf of member municipalities under section 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 m1b)

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 m2)

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

Lease Liabilities (Line n)

Leases are included as “liabilities under agreement” as set out in Section 175 of the *Community Charter* – cross referenced from section 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.

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

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

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

- The leased property is deemed to provide an essential service;
- The local government contributed significant financial assistance to the cost of the asset;

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

PSG-2 and PSG-5 of the Public Sector Accounting Handbook contain information on defining leased tangible capital assets, and sale-leaseback transactions.

MFA Leases (Line n1)

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

Other Leases (Line n2)

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

Future Obligations (Line o)

This refers to future landfill and employee obligations.

Landfill Closure/Post Closure Liability (Line o1)

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

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

Where:

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

B = Total used capacity of the landfill

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

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

Closure expenditures include the construction of facilities for:

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

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

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

Future Payroll Obligations (Line o2)

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 multiemployer plan or multiple-employer plan (under PS 3250.105).

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

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

PS 3250 provides further guidance in reporting for employee pension obligations for local governments.

Payroll Liabilities

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

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

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

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

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

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

A 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 (Line p)

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

TOTAL LIABILITIES (Line q)

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

Net Financial Assets (Debt) (Line r)

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

5(a)(iii) - Non-Financial Assets (Sch A2)

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

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

Parkland (Line s)

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

Other Land (Line t)

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

Buildings (Line u)

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

Equipment/Furniture/Vehicles (Line v)

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

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

Engineering Structures (Line w)

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

Water (Line w1)

Water works systems are systems for water supply including source, treatment, storage, transmission and distribution facilities, where water is furnished or offered for domestic/commercial purposes (as defined under Section 1 of the BC Drinking Water Protection Regulation --- BC Reg 200/2003). These include (but are not limited to) mains, distribution lines, intakes, wells, reservoirs, pressure reducing valves (PRVs), pump-houses and treatment and disinfection facilities.

Sewer (Line w2)

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

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

Drainage (Line w3)

These include dikes, ditches, pumps, and watercourses as set out in Section 307 of the *Local Government Act*, or any other works related to drainage of surface water.

If such works cannot be segregated from existing sewer or transportation works, they should be left in those categories and their value recognized in that fashion.

Roads (Line w4)

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

Other (Line w5)

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

Other Tangible Capital Assets (Line x)

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

Total Tangible Capital Assets (Line y)

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

Inventory of Supply (Line z)

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 aa)

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 ab)

The summation of all non financial assets (Lines s through aa).

ACCUMULATED SURPLUS / (DEFICIT) (Line ac)

The sum of the Net Financial Assets (Line r) and the Total Non-Financial Assets (Line ab). Must equal Total Surplus / (Deficit) (Schedule A2 - Line ah).

5(a)(iv) - Accumulated Surplus / (Deficit) (Sch A2)

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

Operating Fund (Line ad)

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.

Reserve Fund (Line ae)

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 k 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 af)

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 Reserve Funds (Line ae).

Equity in Tangible Capital Assets (Line ag)

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 s to x – 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 y Schedule A2) less the value of any Long-Term Debt (Line m Schedule A2) and Capital Leases (Line n Schedule A2).

TOTAL SURPLUS / (DEFICIT) (Line ah)

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