

THOMPSON-NICOLA REGIONAL DISTRICT

Consolidated Financial Statements

December 31, 2017



Consolidated Financial Statements of

**THOMPSON-NICOLA
REGIONAL DISTRICT**

Year ended December 31, 2017

Thompson-Nicola Regional District

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Year ended December 31, 2017

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Thompson-Nicola Regional District

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Management's Responsibility for the Consolidated Financial Statements

This statement is provided to clarify and outline the roles and responsibilities of management, the elected Board of Directors and the independent auditors in relation to the preparation and review of the annual financial statements of the Thompson-Nicola Regional District (TNRD).

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The TNRD's Board of Directors is composed entirely of Directors who are neither management nor employees of the TNRD. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for delegating authority for the approval of the financial statements. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management. The Board is also responsible for the appointment of the TNRD's external auditors. The external auditors have full and free access to the Board and management to discuss their audit findings.

KPMG LLP, an independent firm of Chartered Professional Accountants, has been appointed by the TNRD's Board of Directors to audit the financial statements. Their accompanying report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Thompson-Nicola Regional District:



Douglas Rae, CA
Director of Finance



Sukh Gill, BBA, CA
Chief Administrative Officer



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Thompson-Nicola Regional District

We have audited the accompanying consolidated financial statements of the Thompson-Nicola Regional District ("the Entity"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Thompson-Nicola Regional District as at December 31, 2017, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants

Kamloops, Canada
March 29, 2018

Thompson-Nicola Regional District
Consolidated Statement of Financial Position

December 31, 2017, with comparative figures for 2016

	2017	2016
Financial assets:		
Cash and cash equivalents (note 2)	\$ 33,860,599	\$ 35,341,883
Accounts receivable (note 3)	5,513,812	1,259,858
Total financial assets	39,374,411	36,601,741
Liabilities:		
Accounts payable and accrued liabilities	3,143,525	3,152,276
Deferred revenue (note 4)	4,413,959	4,168,043
Short-term debt (note 5)	512,389	801,291
Long-term debt (note 6)	1,429,336	1,533,314
Landfill remediation liability (note 7)	5,461,528	4,097,353
Total liabilities	14,960,737	13,752,277
Net financial assets	24,413,674	22,849,464
Non-financial assets:		
Tangible capital assets (note 8)	49,347,319	48,418,222
Prepaid expenses	139,487	94,746
Total non-financial assets	49,486,806	48,512,968
Accumulated surplus (note 9)	\$ 73,900,480	\$ 71,362,432

Commitments and contingencies (note 10)
The accompanying notes are integral to these financial statements.

Approved:



Douglas Rae, CPA, CA
Director of Finance

Thompson-Nicola Regional District
Consolidated Statement of Operations

Year ended December 31, 2017, with comparative figures for 2016

	Budget (note 14)	2017	2016
Revenue:			
Tax requisition	\$ 24,334,640	\$ 24,338,687	\$ 24,103,670
Government transfers and other grants (note 11)	4,997,880	5,733,127	2,154,691
Grants in lieu of taxes	111,155	182,153	170,402
Sale of services	3,000,050	3,131,117	2,866,425
Water and sewer tolls	926,283	944,104	835,884
Interest	100,000	353,677	270,454
Other revenue	214,129	1,221,952	1,037,985
Gain on sale of assets	-	-	16,963
Actuarial adjustment of long-term debt	-	25,462	45,165
Total revenue	33,684,137	35,930,279	31,501,639
Expenses:			
General government services	5,268,025	5,162,266	4,530,918
Protective services	3,751,564	6,225,979	2,949,566
Transportation services	129,274	108,339	112,853
Environmental health services	12,992,273	11,101,694	9,428,056
Public health and welfare	111,391	97,806	100,120
Environmental development	2,430,000	1,639,042	1,697,844
Recreational and cultural services	9,995,187	7,949,433	8,426,617
Waterworks	965,961	806,267	844,966
Sewerage	338,207	299,087	251,452
Utilities	2,318	2,318	2,318
Total expenses	35,984,200	33,392,231	28,344,710
Annual surplus (deficit)	(2,300,063)	2,538,048	3,156,929
Accumulated surplus, beginning of year	71,362,432	71,362,432	68,205,503
Accumulated surplus, end of year	\$ 69,062,369	\$ 73,900,480	\$ 71,362,432

The accompanying notes are integral to these financial statements.

Thompson-Nicola Regional District
 Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2017, with comparative figures for 2016

	Budget (note 14)	2017	2016
Annual surplus (deficit)	\$ (2,300,063)	\$ 2,538,048	\$ 3,156,929
Acquisition of tangible capital assets	(7,942,454)	(3,986,482)	(2,800,988)
Amortization on tangible capital assets	-	3,057,385	2,995,041
(Gain) on sale of tangible capital assets	-	-	(16,963)
Proceeds on sale of tangible capital assets	-	-	55,500
	(10,242,517)	1,608,951	3,389,519
Acquisition of prepaid expenses	-	(139,487)	(94,746)
Use of prepaid expenses	-	94,746	201,294
	-	(44,741)	106,548
Change in net financial assets	(10,242,517)	1,564,210	3,496,067
Net financial assets, beginning of year	22,849,464	22,849,464	19,353,397
Net financial assets, end of year	\$ 12,606,947	\$ 24,413,674	\$ 22,849,464

The accompanying notes are integral to these financial statements.

Thompson-Nicola Regional District
Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative figures for 2016

	2017	2016
Cash provided (used) by:		
Operating activities:		
Annual surplus	\$ 2,538,048	\$ 3,156,929
Items not involving cash:		
Actuarial adjustment of long-term debt	(25,462)	(45,165)
Amortization	3,057,385	2,995,041
Landfill remediation liability	1,364,175	226,473
Loss (gain) on sale of tangible capital assets	-	(16,963)
Change in non-cash assets and liabilities:		
Accounts receivable	(4,253,955)	66,559
Accounts payable and accrued liabilities	(8,749)	482,135
Deferred revenue	245,916	(318,927)
Prepaid expenses	(44,742)	106,548
Total operating activities	2,872,616	6,652,630
Capital activities:		
Acquisition of tangible capital assets ¹	(3,986,482)	(2,800,988)
Proceeds on sale of tangible capital assets	-	55,500
Total capital activities	(3,986,482)	(2,745,488)
Financing activities:		
Proceeds on short-term debt	-	121,556
Proceeds on long-term debt	-	882,701
Repayment of short-term debt	(288,902)	(881,452)
Repayment of long-term debt	(78,516)	(60,071)
Repayment of obligations under capital lease	-	(173,623)
Total financing activities	(367,418)	(110,889)
Increase (decrease) in cash and cash equivalents	(1,481,284)	3,796,253
Cash and cash equivalents, beginning of year	35,341,883	31,545,630
Cash and cash equivalents, end of year	\$ 33,860,599	\$ 35,341,883
Cash paid for interest	\$ 64,943	\$ 67,496
Cash received from interest	353,677	270,454

¹ Acquisition of tangible capital assets is presented net of assets acquired by capital lease.

The accompanying notes are integral to these financial statements.

Thompson-Nicola Regional District

Notes to Consolidated Financial Statements

Year ended December 31, 2017

The Thompson-Nicola Regional District ("TNRD") was incorporated November 24, 1967 under provisions of the British Columbia Municipal Act and operates under provisions of the Local Government Act and the Community Charter of British Columbia. Its principal activities are the provision of regional and local government services to residents of the eleven municipalities and ten electoral areas within its boundaries. These include protective services, transportation, environmental health and solid waste management, public health and welfare, development and planning services, public library and other recreational and cultural services, water, sewer and wastewater utilities services.

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements of the TNRD are prepared by management in accordance with Canadian generally accepted accounting principles for the public sector established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada").

(b) Basis of accounting:

The TNRD follows the accrual method of accounting for revenue and expenses. Revenues are normally recognized in the period when they are earned, can be measured and there is reasonable assurance that they will be collected. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Principles of consolidation:

Consolidated financial statements include the assets, liabilities, revenues, expenses and accumulated surpluses of all funds of the TNRD. In accordance with the principles of consolidation set out for the public sector, inter-fund balances and transactions have been eliminated. In addition, financial transactions of all entities under financial control of the TNRD are included in the consolidated financial statements. These entities include the Savona Water System, Blackpool Fire Department, Pritchard Fire Department and Vavenby Fire Department.

Consolidated financial statements further include, on a proportionate consolidation basis, the TNRD's share (75%) of the assets, liabilities, revenues, expenses and net equity of Strata Corporation KAS 2093, a business corporation controlled by the Regional District. Strata Corporation KAS 2093 is owned by the TNRD and the City of Kamloops and manages the activities of the Civic Building located at 465 Victoria Street, Kamloops, BC.

(d) Taxation:

Each municipality and electoral area within the TNRD is requisitioned for their portion of each service in which they participate. These funds are then levied by the municipalities and the Province (for electoral areas) to individual taxpayers and are to be remitted to the TNRD by August 1 of each year. Tax revenues are recognized in the year in which they are levied.

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued):

(e) Government transfers:

Government transfers (other than grants in lieu of taxes) are recognized in the consolidated financial statements as revenues in the periods in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made unless the transfer contains stipulations that create a liability, in which case the transfers are deferred and recognized as revenue in the periods that the liability is extinguished. Grants in lieu of taxes are recognized at the earlier of when received or when determined to be more likely than not to be collected.

(f) Interest:

Interest earned is allocated on the basis of actual earnings from the specific instruments. Excess funds or temporary borrowings of all functions and capital projects are pooled and interest income or expense is allocated to the individual functions and capital projects on a monthly basis.

(g) Deferred revenue:

Deferred revenues represent monies received from outside funding sources in anticipation of specific future project expenditures. These amounts are recognized as revenues in the periods that the related expenditures are incurred and eligibility criteria met.

(h) Cash equivalents:

Cash equivalents include short-term, highly liquid investments with a term to maturity of 90 days or less at acquisition.

(i) Long-term debt:

Long-term debt is recorded net of accumulated principal repayments and actuarial adjustments to debt. Debt interest charges are charged against current revenue in the periods in which they are accrued.

(j) Landfill liability:

The liability and annual expenditure for closure of operational sites and post closure care has been recognized as the landfill sites' capacities are used each year, based on the present value of estimated future cash flows, after being adjusted for estimated inflation.

(k) Liability For Contaminated Sites:

The TNRD recognizes a liability for remediation of a contaminated site when the site is no longer in productive use or an unexpected event resulting in contamination has occurred and the following criteria are satisfied: contamination exceeds an environmental standard, the TNRD is either directly responsible or has accepted responsibility for remediation, it is expected future economic benefits will be given up and a reasonable estimate of the amount can be made. Future economic benefits are expected to be given up if the TNRD has an external obligation to remediate a site or has commenced remediation on its own accord.

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued):

(l) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at historic cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	10 - 15 years
Buildings and building improvements	20 - 70 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	6 - 20 years
Water and wastewater infrastructure	25 - 60 years

Annual amortization is prorated in the years of acquisition and disposal. Assets under construction are not amortized until the asset is available for use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at the fair value at the date of receipt and also are recorded as revenue.

(iii) Tangible capital assets disclosed at nominal values

Where fair value is undeterminable, tangible capital assets are recognized at a nominal value.

(iv) Interest capitalization

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

(v) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued):

(vi) Works of art and cultural and historical assets

Works of art and cultural and historical assets are not recorded as assets in these consolidated financial statements.

(m) Budget:

Budget figures shown represent the Annual Budget By-Law adopted by the Board of Directors on March 23, 2017. In accordance with public sector reporting standards, these figures do not reflect subsequent amendments made by the Board of Directors to reflect changes in the budget throughout the year as required by law.

(n) Employee future benefits:

The costs of multi-employer defined contribution pension plan benefits, such as the Municipal Pension Plan pensions, are the employer's contributions due to the plan in the period.

(o) Use of estimates:

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions based on current conditions and laws that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The carrying value of the landfill remediation liability, measurement of contaminated site liabilities (if identified) and useful lives of tangible capital assets are significant items subject to such estimates and assumptions.

Actual results could differ from these estimates.

2. Cash and cash equivalents:

	Cost 2017	Cost 2016
Bank	\$ 17,993,609	\$ 19,627,922
Short-term investments	15,866,990	15,713,961
Cash and cash equivalents	\$ 33,860,599	\$ 35,341,883

Cash and cash equivalents reported on the consolidated statement of financial position have a cost that approximates market value. Short-term investments are held in Municipal Finance Authority (MFA) pooled money market funds with an annual rate of return of approximately 0.96% (2016 - 0.79%).

3. Accounts receivable:

Accounts receivable are reported net of a valuation allowance of \$94,876 (2016 - \$67,283).

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

4. Deferred revenue:

Deferred revenue is comprised of funds for the following entities or purposes:

Source/purpose:	Deferred balance 2016	Contributions /interest	Revenues recognized	Deferred balance 2017
Federal Gas Tax - Community Works Funds	\$ 3,856,165	\$ 1,077,076	\$ (835,804)	\$ 4,097,437
Canada Water & Waste Water Fund	-	150,136	(57,367)	92,769
Thompson-Nicola Film Commission	30,000	15,000	(30,000)	15,000
North Thompson Economic Development Society proceeds	81,463	718	(18,000)	64,181
Friends of the Library	29,829	6,877	(15,743)	20,963
Vavenby Share of Clearwater Taxes	39,731	10,642	(14,155)	36,218
Digitalization Grant	7,892	10,000	(5,350)	12,542
Telus grant proceeds	5,535	-	-	5,535
Other unexpended grant proceeds	64,077	27,688	(63,362)	28,403
Other	53,351	2,560	(15,000)	40,911
	\$ 4,168,043	\$ 1,300,697	\$(1,054,781)	\$ 4,413,959

Gas tax funding is provided by the Government of Canada through the Community Works Fund. The use of the funding is established by a funding agreement between the TNRD and the Union of British Columbia Municipalities ("UBCM"). Gas tax revenues are recognized as the funds are expended for eligible purposes and thus earned by the TNRD.

5. Short-term debt:

Short-term debt is issued under the following programs

a) MFA temporary debt:

The TNRD utilizes the MFA temporary borrowing program to assist in the cash flow management of capital projects that are in progress. Temporary borrowing is executed through a short-term loan agreement and a demand promissory note. Interest is calculated daily, compounded monthly and paid on a monthly basis. The short-term borrowing can be repaid at any time without notice or penalty. The TNRD repays the short-term borrowing when the projects are completed and long-term borrowing is secured or as other alternate funds become available.

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

5. Short-term debt: (continued)

b) MFA Equipment Financing

In 2016 the TNRD utilized the MFA equipment financing program to replace financing for a facility that was previously financed under the MFA lease program, which has been treated as a capital lease obligation. Equipment program borrowing is executed through a short-term loan agreement and a demand promissory note. Interest is calculated daily, compounded monthly and paid on a monthly basis. Principal and interest payments are scheduled over the term of the debt, but early repayment of principal can occur at any time without notice or penalty.

As at December 31, 2017, short-term debt consists of the following:

Temporary Debt	Loan Authorization Bylaw No.	Temporary Debt Bylaw No.	Balance Outstanding Dec 31, 2016	Issued	Principal Repayment	Balance Outstanding Dec 31, 2017
Savona Water	2084	2338	\$ 409,709	\$ -	\$ -	\$ 409,709
Loon Lake Water	2122	2339	18,177	-	18,177	-
Spences Bridge Water	2227	2368	259,427	-	259,427	-
			\$ 687,313	\$ -	\$ 277,604	\$ 409,709
MFA Equipment Financing			113,978	-	11,298	102,680
			\$ 801,291	\$ -	\$ 288,902	\$ 512,389

The weighted average interest rate on temporary debt for 2017 was 1.59% (2016 - 1.39%). Interest paid during the year was \$6,894 (2016 - \$12,582).

Equipment financing debt matures April 30, 2021 and bears interest at 1.44% per annum. Interest paid during the year was \$ 1,723 (2016 - \$1,117).

Certain of the above bylaws still have amounts authorized but not yet drawn upon. These represent amounts that the TNRD may still borrow against in future. These are detailed in note 6(b) to these financial statements

Total principal payments required under the equipment financing program debt for the next four years are as follows:

2018	\$ 10,993
2019	11,221
2020	11,452
2021	69,014
Total	\$ 102,680

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

6. Long-term debt:

The TNRD issues debt instruments through the MFA to finance certain capital expenditures. Under the terms of the debt, the TNRD is required to make principal payments once annually while interest is calculated semi-annually and is based on the original debt principal borrowed. Associated with these principal payments, the MFA provides an 'actuarial adjustment', which is a non-cash reduction in the loan balance representing the investment earnings the MFA expects to realize on each principal payment.

Debt interest charges are recorded as an expense in the period incurred. Principal payments and actuarial adjustments are applied to reduce recorded liabilities.

(a) As at December 31, 2017, long-term debt consists of the following:

MFA Issue No.	Bylaw No.	Term in Years	Maturity Date	Interest Rate	Balance Outstanding Dec 31, 2016	Issued	Principal Repayment	Actuarial Adjustment	Balance Outstanding Dec 31, 2017
65	1589	20	2017	4.550 %	1,643	-	650	993	-
70	1702	20	2019	3.150 %	11,849	-	1,823	1,953	8,073
72	1762	20	2020	3.150 %	132,691	-	15,689	15,327	101,675
95	2054	20	2025	1.800 %	21,838	-	1,470	636	19,732
95	2054	20	2025	1.800 %	25,659	-	1,728	747	23,184
102	2180	20	2027	4.820 %	16,115	-	2,829	355	12,931
103	2205	20	2028	4.650 %	87,195	-	4,239	1,563	81,393
103	2205	20	2028	4.650 %	39,017	-	1,897	699	36,421
103	2205	20	2028	4.650 %	48,685	-	2,369	872	45,444
103	2204	10	2018	4.650 %	4,651	-	1,666	614	2,371
104	2226	10	2018	5.150 %	10,464	-	3,748	1,381	5,335
131	2498	20	2035	2.200 %	250,806	-	9,194	322	241,290
137	2088	20	2036	2.600 %	400,000	-	14,145	-	385,855
137	2227	20	2036	2.600 %	245,101	-	8,667	-	236,434
137	2350	20	2036	2.600 %	237,600	-	8,402	-	229,198
Total MFA debenture debt					\$ 1,533,314	\$ -	\$ 78,516	\$ 25,462	\$ 1,429,336

The weighted average interest rate for 2017 was 3.24% (2016 - 2.86%). Interest paid during the year was \$58,049. (2016 - \$54,383)

Total principal payments required of the TNRD for the next five years are as follows:

2018	\$ 75,764
2019	70,350
2020	68,527
2021	52,838
2022	52,838
Total	\$ 320,317

Scheduled debt repayments may be suspended by the MFA if the MFA reasonably anticipates that it has sufficient investment assets to cover all remaining principal and interest requirements of the MFA funding debentures.

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

6. Long-term debt (continued):

(b) Unissued debt:

The TNRD has authorized but unissued debentures with the MFA as follows:

Service	Loan Authorization Bylaw Number	Adoption Date	Amount Authorized	Amount Unissued
Savona Water	2084	December 2006	\$ 1,200,000	\$ 790,291
Total			\$ 1,200,000	\$ 790,291

7. Landfill remediation liability:

The TNRD is responsible for closure and post-closure care of five landfill sites: Clearwater, Barriere and Chase, which were closed and ceased operations in 2012, and Lower Nicola and Heffley Creek, which remain in operation.

The landfill closure and post-closure liability as at December 31, 2017 is \$5,461,528 (2016 - \$4,097,353). The liability is recognized as the landfill site's capacity is used and represents management's best estimate of the discounted future cash flows associated with meeting future closure and post-closure requirements, using an inflation rate of 2% (2016 – 2%) and discount rate of 3% (2016 – 3.62%), pro-rated based on the percentage of total capacity at the site used to date.

Closure and post-closure care requirements are established by Provincial regulation. Recent changes to these regulations are reflected in the 2017 update to the liability calculation, wherein the post-closure care period has been expanded from 25 to 100 years for the two active landfill sites. The changes do not affect the sites already closed.

Present value of future cash flows for 100% of expected landfill closure and post-closure care costs is now estimated to be \$15,402,220.

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

7. Landfill remediation liability (continued):

The estimated years until planned closure, remaining capacity and life of the landfill sites are as follows:

	Clearwater, Barriere and Chase	Heffley Creek	Lower Nicola
Closure date	closed	2091	2100
Future closure/post-closure costs	\$ 4,255,488	\$ 125,112,432	\$ 144,065,736
Present value of future costs	\$ 3,079,973	\$ 6,528,746	\$ 5,793,501
Total capacity (m3)	n/a	2,035,863	1,509,103
Deposited to date (m3)	n/a	526,219	180,785
Utilization of total capacity to date	100%	26%	12%
Post-closure care requirement	25 years	100 years	100 years

Once the landfills are closed, post closure care is expected to occur annually. For Clearwater, Barriere and Chase this began in 2014.

The reported liability is based on estimates and assumptions with respect to anticipated events over the expected remaining service life and post-closure care periods for the landfills of up to 183 years, using the best information available to management. Changes in the liability could result from new technology, settling of waste or changes in fill rates, changes in regulatory requirements, inflation rates and/or interest rates. Changes to the Regional Solid Waste Management Plan and other future events may result in significant changes to the estimated timelines, total expenditures, capacity usage or total capacity and the resulting estimated landfill remediation liability. Any change in the liability for cumulative capacity used to date, which could be material, would be recognized prospectively as a change in estimate, when applicable. Management periodically performs an assessment of the underlying assumptions related to the reported liability and utilizes the expertise of a qualified firm of engineers external to the Regional District in forming the above estimates.

Thompson-Nicola Regional District

Notes to Consolidated Financial Statements

Year ended December 31, 2017

8. Tangible capital assets:

	Land	Land Improvements and Roads	Buildings & Building Improvements	Vehicles, Machinery & Equipment	Water Infrastructure	Sewer Infrastructure	Leased Assets and Improvements	Assets Under Construction	Total
2017									
Cost									
Balance, beginning of year	\$ 3,817,722	\$ 3,080,795	\$ 31,155,305	\$ 23,420,544	\$ 13,895,852	\$ 4,190,833	\$ 447,799	\$ 351,458	\$ 80,360,308
Additions	-	8,952	56,910	1,366,518	-	-	-	2,554,102	3,986,482
Transfer of assets	-	-	-	6,976	-	-	-	(6,976)	-
Balance, end of year	3,817,722	3,089,747	31,212,215	24,794,038	13,895,852	4,190,833	447,799	2,898,584	84,346,790
Accumulated Amortization									
Balance, beginning of year	-	588,344	10,098,626	14,230,975	4,934,664	1,930,548	158,929	-	31,942,086
Amortization expense	-	167,165	999,848	1,420,306	337,568	119,703	12,795	-	3,057,385
Balance, end of year	-	755,509	11,098,474	15,651,281	5,272,232	2,050,251	171,724	-	34,999,471
Net book value, end of year	\$ 3,817,722	\$ 2,334,238	\$ 20,113,741	\$ 9,142,757	\$ 8,623,620	\$ 2,140,582	\$ 276,075	\$ 2,898,584	\$ 49,347,319

Assets under construction having a value of \$2,898,584 (2016 - \$351,458) have not been amortized. Amortization of these assets will commence when the asset is available for service.

Thompson-Nicola Regional District

Notes to Consolidated Financial Statements

Year ended December 31, 2017

8. Tangible capital assets (continued):

	Land	Land Improvements and Roads	Buildings & Building Improvements	Vehicles, Machinery & Equipment	Water Infrastructure	Sewer Infrastructure	Leased Assets and Improvements	Assets Under Construction	Total
2016									
Cost									
Balance, beginning of year	\$ 3,817,722	\$ 3,050,689	\$ 30,855,604	\$ 21,687,182	\$ 13,643,041	\$ 3,684,000	\$ 447,799	\$ 528,016	\$ 77,714,053
Additions	-	30,106	252,388	1,655,525	163,435	436,494	-	263,040	2,800,988
Disposals	-	-	-	(154,733)	-	-	-	-	(154,733)
Transfer of assets	-	-	47,313	232,570	89,376	70,339	-	(439,598)	-
Balance, end of year	3,817,722	3,080,795	31,155,305	23,420,544	13,895,852	4,190,833	447,799	351,458	80,360,308
Accumulated Amortization									
Balance, beginning of year	-	422,261	9,110,769	12,978,128	4,588,660	1,817,288	146,135	-	29,063,241
Disposals	-	-	-	(116,196)	-	-	-	-	(116,196)
Amortization expense	-	166,083	987,857	1,369,043	346,004	113,260	12,794	-	2,995,041
Balance, end of year	-	588,344	10,098,626	14,230,975	4,934,664	1,930,548	158,929	-	31,942,086
Net book value, end of year	\$ 3,817,722	\$ 2,492,451	\$ 21,056,679	\$ 9,189,569	\$ 8,961,188	\$ 2,260,285	\$ 288,870	\$ 351,458	\$ 48,418,222

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

9. Accumulated Surplus:

Accumulated surplus is comprised of unrestricted surplus, operating reserves, and capital reserves. Unrestricted surplus includes amounts invested in tangible capital assets, net of related debt, amortization and other unrestricted surplus carried forward. Operating reserves are surpluses set aside to fund future operating requirements of the specific service areas listed. Capital reserves are set aside by the Board for future capital requirements and use of these reserves must be approved by bylaw. Parkland dedication reserves are statutory reserves that may only be used to acquire future parkland. Cemetery perpetual care reserves are also statutory which must be held into perpetuity for the future care and maintenance of the related cemeteries.

Total surplus and reserves at December 31, 2017 are as follows:

	2017	2016
Unrestricted surplus	\$ 56,162,951	\$ 55,096,088
Operating reserves	13,305,076	11,350,648
Capital reserves	4,432,453	4,915,696
Total accumulated surplus	\$ 73,900,480	\$ 71,362,432

Individual fund surpluses and reserves at December 31, 2017 are as follows:

	2017	2016
Unrestricted surplus:		
Investment in tangible capital assets	\$ 47,917,983	\$ 46,884,908
External committee cash balances	157,182	113,530
Investment in Strata Corp (KAS2093)	689,884	634,121
Other	7,397,902	7,463,529
Total surplus	\$ 56,162,951	\$ 55,096,088

	2017	2016
Operating Reserves:		
Insurance Deductible Reserve	\$ 11,560	\$ 11,449
Proposed Function Reserve	161,509	150,059
General Administration	2,187,545	2,166,612
Solid Waste Management	8,009,361	6,662,281
E911	220,719	218,607
Building Department	1,844,658	1,827,006
Community Assistance Funds	552,050	-
Library System	317,674	314,634
Total operating reserves	\$ 13,305,076	\$ 11,350,648

Interest income and contributions to operating reserves for 2017 were \$1,954,430 (2016 - \$2,847,599) and transfers out of reserves were \$NIL (2016 - \$NIL).

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

9. Accumulated Surplus (continued):

	2017	2016
Capital Reserves:		
General Fund:		
E911	\$ 1,643,494	\$ 1,798,150
Ashcroft Fire Protection	56,617	56,075
Barriere Fire Protection	28,103	24,764
Blackpool Fire Protection	195,802	166,394
Pritchard Fire Protection	64,237	167,489
Vavenby Fire Protection	178,419	156,407
Alternative Waste Collection - Area B	47,154	24,914
Alternative Waste Collection - Area J	269,214	236,925
Alternative Waste Collection - Area N	5,000	-
Alternative Waste Collection - Area P	5,000	-
Community Halls - Area B	28,096	22,875
Vavenby Community Hall	9,548	5,000
Nicola Valley Aquatic Centre	152,387	117,214
Parks - Area A	217,414	185,620
Parks - Area B	93,844	92,946
Parkland Dedication - Area E	15,940	15,787
Parkland Dedication - Area M	90,325	89,461
Parkland Dedication - Area P	53,691	-
TNRD Library Service	596,063	1,085,574
TV - Area B	2,031	2,012
TV - Areas O & P	-	6,250
	3,752,379	4,253,857
Sewer Fund:		
Paul Lake	174,024	172,359
Pritchard	76,170	90,743
	250,194	263,102
Water Fund:		
Black Pines	32,863	22,912
Blue River	18,438	16,776
Del Oro	23,653	14,507
Evergreen	1,018	1,008
Loon Lake	13,291	31,304
Maple Mission	77,174	76,436
Pritchard	44,240	38,518
Savona	148,669	147,246
Spences Bridge	33,773	33,450
Vavenby	21,764	1,747
Walhachin	12,203	12,086
	427,086	395,990
Subtotal	4,429,659	4,912,949

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

9. Accumulated Surplus (continued):

	2017	2016
Subtotal Continued	\$ 4,429,659	\$ 4,912,949
Perpetual Care Fund:		
Blue River Cemetery	2,475	2,441
Avola Cemetery	319	306
	<u>2,794</u>	<u>2,747</u>
Total capital reserves	\$ 4,432,453	\$ 4,915,696

Interest income and contributions to capital reserves for 2017 were \$533,134 (2016 - \$481,458) and transfers out of reserves were \$1,016,377 (2016 - \$256,756).

In 2017 the Pritchard Fire Protection capital reserve borrowed funds from the E911 capital reserve, with a repayment term of 10 years, plus interest at the same rate that the reserve would have earned on these funds. At December 31, 2017 the amount owing is \$170,500.

10. Commitments and contingencies:

(a) Contracted Services:

In the normal course of business, the TNRD enters into commitments for both capital and operational expenses, for periods ranging from one to five years. These commitments have been budgeted for within the appropriate annual budgets approved by the Board of Directors.

The TNRD is committed to total minimum future payments under operating leases and contract commitments as follows:

Year	Land & Buildings	Vehicles & Equipment	Service Agreements	Total
2018	\$ 35,368	\$ 162,896	\$ 1,857,153	\$ 2,055,417
2019	29,750	60,936	877,585	968,271
2020	29,750	23,167	633,218	686,135
2021	1,500	9,999	463,972	475,471
2022	-	5,833	354,246	360,079
	<u>\$ 96,368</u>	<u>\$ 262,831</u>	<u>\$ 4,186,174</u>	<u>\$ 4,545,373</u>

(b) Landfill, Transfer Station and Eco-Depot:

The TNRD has contracts for the operation and management of landfills, transfer stations and eco-depots for each calendar year through to June 30, 2018. The expected annual cost of executing these contracts over the next six months is approximately \$2.4 million.

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

10. Commitments and contingencies (continued):

(c) Pension Liability:

The Thompson-Nicola Regional District (TNRD) and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 30, 2016, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local government.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension plan as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The TNRD paid \$725,322 (2016 - \$710,109) for employer contributions to the plan in fiscal 2017.

The next valuation will be as at December 31, 2018, with results available in 2019.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the plan.

(d) Municipal Insurance:

The TNRD is a member of the Municipal Insurance Association of British Columbia. As a member of this association, the TNRD is contingently liable for claims in excess of the insurance fund.

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

10. Commitments and contingencies (continued):

(e) Legal:

In the normal course of a year, the TNRD is faced with lawsuits for damages of diverse natures. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and is estimable. At December 31, 2017, the TNRD's estimated exposure to each such liability is either not determinable or is not considered to be significant.

(f) Debt Reserve Funds:

The TNRD issues debt instruments through the MFA. Under borrowing arrangements with the MFA, the TNRD is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As the debt principal is retired, demand notes are released and the cash deposits are refunded and recorded as operating income in the period received. As a condition of these borrowings, a portion of the proceeds is withheld by the MFA as a debt reserve fund. These demand notes are contingent in nature and are not recorded in the financial statements. Details of the cash deposits and contingent demand notes at December 31, 2017 are as follows:

	TNRD	Member Municipalities	2017 Totals	2016 Totals
Cash deposits	\$ 28,560	\$ 2,375,915	\$ 2,404,475	\$ 2,481,508
Contingent demand notes	57,162	5,701,418	5,758,580	6,016,351
Debt reserve fund	\$ 85,722	\$ 8,077,333	\$ 8,163,055	\$ 8,497,859

(g) Member municipality debt:

The TNRD is contingently liable for long term liabilities with respect to MFA debt for which the responsibility for payment of principal and interest has been assumed by member municipalities.

In the event that a member municipality defaults on scheduled repayments, the TNRD would be required to make payment. Until such default occurs, the TNRD has not recorded this debt as a liability.

The debt per member municipality, along with the principal and interest collected from member municipalities and forwarded to the MFA during the year, are as follows:

	MFA Debt 2017	MFA Debt 2016	Payments 2017	Payments 2016
Chase	\$ 2,127,730	\$ 2,198,538	\$ 145,150	\$ 145,150
Clearwater	130,015	170,063	48,751	48,751
Clinton	27,355	29,841	2,554	3,894
Kamloops	109,977,467	120,328,033	12,946,898	11,684,754
Logan Lake	2,099,933	2,324,082	272,463	272,463
Lytton	122,186	139,294	16,273	16,273
Merritt	6,885,263	7,397,667	806,240	846,305
Total	\$121,369,949	\$132,587,518	\$ 14,238,329	\$ 13,017,590

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

11. Government transfers and other grants:

The TNRD recognizes the transfer of government funding and other grants as revenues in the periods that the events giving rise to the transfers occurred. Government funding sources are primarily Provincial, Federal or a combination of both. The Government transfers reported on the Statement of Operations are:

	2017	2016
Transfers recognized in revenue:		
Government transfers:		
Provincial Emergency Program	\$ 2,925,606	\$ 3,860
Building Canada Fund	1,040,505	319,364
UBCM Federal Gas Tax - Community Works Fund	835,804	1,062,466
Provincial Funding Library Services	388,535	388,689
Clean Water & Wastewater Fund	180,355	-
Canada 150	-	47,876
Provincial Funding Basic Grants	140,000	149,597
Other	175,915	96,439
	5,686,720	2,068,291
Grants from sources other than government	46,407	86,400
Total	\$ 5,733,127	\$ 2,154,691

12. Related party transactions:

The TNRD provides accounting and management services to the Thompson Regional Hospital District ("TRHD") and the Thompson-Nicola Regional Hospital District ("TNRHD"), entities related by way of overlap of Board Directors. The TNRD received a payment of \$11,000 (2016 - \$11,000) from the TRHD for these services, which was recorded as a reduction of General Government Services.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. Segmented information:

Segmented information has been identified based on the functional areas reported on in the body of the financial statements. The functional areas, along with the services that they provide or assist by way of grant in aid or cost sharing, are as follows:

(a) General Government Services

Includes finance, corporate services and legislative functions

(b) Protective Services

Building inspection services, fire protection, E911, emergency preparedness, search and rescue, and dangerous dog control

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

13. Segmented information (continued):

(c) Transportation Services

Street lighting and transit services

(d) Environmental Health Services

Solid waste management, mosquito control, and noxious weed control

(e) Public Health and Welfare

Cemeteries

(f) Environmental Development

Planning, film commission, and economic development

(g) Recreational and Cultural Services

Libraries, community halls, regional and community parks, television and radio rebroadcasting, recreational facilities, etc.

(h) Waterworks

Community water systems in the following areas: Black Pines, Blue River, Del Oro, Evergreen, Loon Lake, Maple Mission, Pritchard, Savona, Spences Bridge, Vavenby, and Walhachin

(i) Sewerage

Paul Lake and Pritchard sewer systems, and septage disposal in Areas A, B, and O

(j) Utilities

Services debt related to extension of utilities into two local service areas

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments in lieu of taxes are allocated to the segments based on the segment's budgeted tax requisition. User charges and other revenue have been allocated to the segments based on the source of the revenue. Government transfers have been allocated to the segment based on the purpose for which the transfer was made. Development charges earned were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

Not all areas of the regional district pay towards nor receive all listed services.

Thompson-Nicola Regional District

Notes to Consolidated Financial Statements

Year ended December 31, 2017

13. Segmented information (continued):

	2017							
	General government services	Protective services	Transportation services	Environmental health services	Public health and welfare	Environmental development		Subtotal
Revenue								
Taxation	\$ 2,471,733	\$ 2,185,867	\$ 115,844	\$ 8,907,846	\$ 127,236	\$ 1,476,996	\$	15,285,522
Grants in lieu	50,865	-	-	-	-	19,678		70,543
User charges	-	585,848	-	2,417,300	-	114,709		3,117,857
Government transfer	746,313	3,019,557	219	29,068	-	94,407		3,889,564
Investment income	290,004	29,648	-	32,148	501	3,260		355,561
Other revenue	178,531	567,268	-	273,605	3,543	31,535		1,054,482
	3,737,446	6,388,188	116,063	11,659,967	131,280	1,740,585		23,773,529
Expenses								
Wages, salaries, indemnities and benefits	3,116,811	979,565	-	921,319	2,870	942,132		5,962,697
Operating costs	1,613,962	4,173,993	104,110	9,229,647	61,301	492,443		15,675,456
External transfers to others	-	941,126	4,229	-	33,635	182,929		1,161,919
Debt services	-	1,530	-	-	-	-		1,530
Amortization	431,493	129,765	-	950,728	-	21,538		1,533,524
	5,162,266	6,225,979	108,339	11,101,694	97,806	1,639,042		24,335,126
Annual surplus (deficit)	\$ (1,424,820)	\$ 162,209	\$ 7,724	\$ 558,273	\$ 33,474	\$ 101,543	\$	(561,597)

Thompson-Nicola Regional District

Notes to Consolidated Financial Statements

Year ended December 31, 2017

13. Segmented information (continued):

2017						
	Subtotal	Recreational and cultural services	Waterworks	Sewerage	Utilities	2017
Revenue						
Taxation	\$ 15,285,522	\$ 8,554,507	\$ 342,467	\$ 149,943	\$ 6,248	\$ 24,338,687
Grants in lieu	70,543	110,650	960	-	-	182,153
User charges	3,117,857	-	823,152	134,212	-	4,075,221
Government transfer	3,889,564	468,030	1,284,424	91,109	-	5,733,127
Investment income	355,561	16,641	4,395	2,542	-	379,139
Other revenue	1,054,482	151,094	15,505	871	-	1,221,952
	23,773,529	9,300,922	2,470,903	378,677	6,248	35,930,279
Expenses						
Wages, salaries, indemnities and benefits	5,962,697	4,704,153	-	-	-	10,666,850
Operating costs	15,675,456	1,433,227	423,455	169,138	-	17,701,276
External transfers to others	1,161,919	745,463	-	-	-	1,907,382
Debt services	1,530	-	45,244	10,246	2,318	59,338
Amortization	1,533,524	1,066,590	337,568	119,703	-	3,057,385
	24,335,126	7,949,433	806,267	299,087	2,318	33,392,231
Annual surplus (deficit)	\$ (561,597)	\$ 1,351,489	\$ 1,664,636	\$ 79,590	\$ 3,930	\$ 2,538,048

Thompson-Nicola Regional District

Notes to Consolidated Financial Statements

Year ended December 31, 2017

13. Segmented information (continued):

	2016							
	General government services	Protective services	Transportation services	Environmental health services	Public health and welfare	Environmental development		Subtotal
Revenue								
Taxation	\$ 2,550,558	\$ 2,460,097	\$ 114,197	\$ 8,859,459	\$ 153,954	\$ 1,747,693		\$ 15,885,958
Grants in lieu	52,411	1,291	1,006	1	7	17,193		71,909
User charges	-	575,222	-	2,204,536	-	79,466		2,859,224
Government transfer	456,640	139,293	125	20,000	-	141,215		757,273
Investment income	241,203	22,109	-	30,800	-	431		294,543
Gain/loss on disposal of assets	2,000	(2,500)	-	17,463	-	-		16,963
Other revenue	161,086	33,017	-	124,714	6,697	47,766		373,280
	3,463,898	3,228,529	115,328	11,256,973	160,658	2,033,764		20,259,150
Expenses								
Wages, salaries, indemnities and benefits	2,976,400	802,616	-	835,004	2,805	970,592		5,587,417
Operating costs	1,146,033	1,070,372	109,981	7,633,983	63,645	465,360		10,489,374
External transfers to others	-	959,661	2,872	-	33,670	242,020		1,238,223
Amortization	408,485	116,917	-	959,069	-	19,872		1,504,343
	4,530,918	2,949,566	112,853	9,428,056	100,120	1,697,844		18,819,357
Annual surplus (deficit)	\$ (1,067,020)	\$ 278,963	\$ 2,475	\$ 1,828,917	\$ 60,538	\$ 335,920		\$ 1,439,793

Thompson-Nicola Regional District

Notes to Consolidated Financial Statements

Year ended December 31, 2017

13. Segmented information (continued):

2016						
	Subtotal	Recreational and cultural services	Waterworks	Sewerage	Utilities	2016
Revenue						
Taxation	\$ 15,885,958	\$ 7,833,385	\$ 250,318	\$ 127,761	\$ 6,248	\$ 24,103,670
Grants in lieu	71,909	97,318	1,175	-	-	170,402
User charges	2,859,224	-	684,930	158,155	-	3,702,309
Government transfer	757,273	848,755	258,215	290,448	-	2,154,691
Investment income	294,543	14,623	3,164	3,289	-	315,619
Gain/loss on disposal of assets	16,963	-	-	-	-	16,963
Other revenue	373,280	286,888	374,728	3,089	-	1,037,985
	20,259,150	9,080,969	1,572,530	582,742	6,248	31,501,639
Expenses						
Wages, salaries, indemnities and benefits	5,587,417	4,691,802	-	-	-	10,279,219
Operating costs	10,489,374	1,666,634	455,681	126,021	-	12,737,710
External transfers to others	1,238,223	1,036,747	-	-	-	2,274,970
Debt services	-	-	43,281	12,171	2,318	57,770
Amortization	1,504,343	1,031,434	346,004	113,260	-	2,995,041
	18,819,357	8,426,617	844,966	251,452	2,318	28,344,710
Annual surplus (deficit)	\$ 1,439,793	\$ 654,352	\$ 727,564	\$ 331,290	\$ 3,930	\$ 3,156,929

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2017

14. Budget information:

The budget data presented in these consolidated financial statements is based upon the 2017 Financial Plan approved by the Board of Directors on March 23, 2017. The legislative requirements for the Financial Plan are that the cash inflows for the period must equal cash outflows.

Cash inflows and outflows include such items as debt proceeds, transfers to and from reserves and surplus, debt principal repayment and asset sale proceeds. These items are not recognized as revenues and expenses in the Statement of Operations as they do not meet the public sector accounting standard requirements. PSAB requires that budget figures be presented on the same basis of accounting as actual figures.

The legislation does not require the funding of non-cash items such as amortization or liability accruals to provide for future cash requirements, thus there is no legislative requirement to include these items in the Financial Plan. However, these items are recognized as expenses in the Statement of Operations.

Amortization was not contemplated on development of the approved 2017 Financial Plan and, as such, has not been included. The chart below demonstrates how the legislative requirement for a balanced Financial Plan has been met.

	Budget Amount
Deficit - Statement of Operations	\$ (2,300,063)
Adjust for budgeted cash items, not included in Statement of Operations	
Proceeds on debt issue	(1,182,681)
Transfer from reserves	(1,007,858)
Acquisition of tangible capital assets	7,942,454
Principal payments	76,542
Transfer from operating surplus	(8,128,520)
Total adjustments	(2,300,063)
Financial Plan Balance	\$ -