

2018 Thompson-Nicola Regional District

# Consolidated Financial Statements

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Consolidated Financial Statements of

**THOMPSON-NICOLA  
REGIONAL DISTRICT**

Year ended December 31, 2018

# Thompson-Nicola Regional District

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Year ended December 31, 2018

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Department: Finance

## 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).

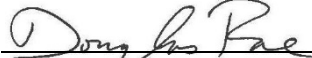
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting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

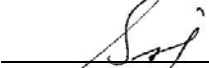
In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records 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, CPA, CA  
Director of Finance

  
\_\_\_\_\_  
Sukh Gill, BBA, CPA, CA  
Chief Administrative Officer



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## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the consolidated financial statements of the Thompson-Nicola Regional District (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended; and,
- notes to the consolidated financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, 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.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
  
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
  
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for KPMG LLP, featuring the letters 'KPMG' in a large, bold, sans-serif font, with 'LLP' in a smaller font to the right. A horizontal line is drawn underneath the text.

Chartered Professional Accountants

Kamloops, Canada  
March 28, 2019

**Thompson-Nicola Regional District**  
Consolidated Statement of Financial Position

December 31, 2018, with comparative figures for 2017

	2018	2017
<b>Financial assets:</b>		
Cash and cash equivalents (note 3)	\$ 39,004,512	\$ 33,860,599
Accounts receivable (note 4)	3,235,287	5,513,812
<b>Total financial assets</b>	<b>42,239,799</b>	<b>39,374,411</b>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	2,633,955	3,143,525
Deferred revenue (note 5)	5,260,124	4,413,959
Short-term debt (note 6)	91,881	512,389
Long-term debt (note 7)	2,259,739	1,429,336
Landfill remediation liability (note 8)	5,461,528	5,461,528
<b>Total liabilities</b>	<b>15,707,227</b>	<b>14,960,737</b>
<b>Net financial assets</b>	<b>26,532,572</b>	<b>24,413,674</b>
<b>Non-financial assets:</b>		
Tangible capital assets (note 9)	50,397,199	49,347,319
Prepaid expenses	83,164	139,487
<b>Total non-financial assets</b>	<b>50,480,363</b>	<b>49,486,806</b>
<b>Accumulated surplus (note 10)</b>	<b>\$ 77,012,935</b>	<b>\$ 73,900,480</b>

Commitments and contingencies (note 11)  
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, 2018, with comparative figures for 2017

	Budget (note 15)	2018	2017
<b>Revenue:</b>			
Tax requisition	\$ 24,143,705	\$ 24,146,467	\$ 24,338,687
Government transfers and other grants (note 12)	7,949,305	3,656,253	5,733,127
Grants in lieu of taxes	111,115	167,584	182,153
Sale of services	3,036,550	3,196,547	3,131,117
Water and sewer tolls	915,440	942,936	944,104
Interest	100,000	629,752	353,677
Other revenue	173,296	1,121,164	1,221,952
Gain on sale of assets	-	2,490	-
Actuarial adjustment of long-term debt	-	28,378	25,462
<b>Total revenue</b>	<b>36,429,411</b>	<b>33,891,571</b>	<b>35,930,279</b>
<b>Expenses:</b>			
General government services	5,642,016	5,219,514	5,162,266
Protective services	4,143,143	4,487,962	6,225,979
Transportation services	125,617	121,497	108,339
Environmental health services	12,418,273	9,580,414	11,101,694
Public health and welfare	114,006	102,990	97,806
Environmental development	2,431,152	1,660,742	1,639,042
Recreational and cultural services	9,948,569	8,116,987	7,949,433
Waterworks	1,059,990	820,362	806,267
Sewerage	338,041	666,591	299,087
Utilities	2,318	2,057	2,318
<b>Total expenses</b>	<b>36,223,125</b>	<b>30,779,116</b>	<b>33,392,231</b>
<b>Annual surplus</b>	<b>206,286</b>	<b>3,112,455</b>	<b>2,538,048</b>
Accumulated surplus, beginning of year	73,900,480	73,900,480	71,362,432
<b>Accumulated surplus, end of year</b>	<b>\$ 74,106,766</b>	<b>\$ 77,012,935</b>	<b>\$ 73,900,480</b>

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, 2018, with comparative figures for 2017

	Budget (note 15)	2018	2017
Annual surplus	\$ 206,286	\$ 3,112,455	\$ 2,538,048
Acquisition of tangible capital assets	(9,931,437)	(4,121,517)	(3,986,482)
Amortization on tangible capital assets	-	3,021,773	3,057,385
(Gain) on sale of tangible capital assets	-	(2,490)	-
Proceeds on sale of tangible capital assets	-	52,354	-
	(9,725,151)	2,062,575	1,608,951
Acquisition of prepaid expenses	-	(83,164)	(139,487)
Use of prepaid expenses	-	139,487	94,746
	-	56,323	(44,741)
Change in net financial assets	(9,725,151)	2,118,898	1,564,210
Net financial assets, beginning of year	24,413,674	24,413,674	22,849,464
Net financial assets, end of year	\$ 14,688,523	\$ 26,532,572	\$ 24,413,674

The accompanying notes are integral to these financial statements.

**Thompson-Nicola Regional District**  
Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative figures for 2017

	2018	2017
<b>Cash provided (used) by:</b>		
<b>Operating activities:</b>		
Annual surplus	\$ 3,112,455	\$ 2,538,048
Items not involving cash:		
Actuarial adjustment of long-term debt	(28,378)	(25,462)
Amortization	3,021,773	3,057,385
Landfill remediation liability	-	1,364,175
Loss (gain) on sale of tangible capital assets	(2,490)	-
Change in non-cash assets and liabilities:		
Accounts receivable	2,278,525	(4,253,955)
Accounts payable and accrued liabilities	(509,570)	(8,749)
Deferred revenue	846,165	245,916
Prepaid expenses	56,323	(44,742)
<b>Total operating activities</b>	<b>8,774,803</b>	<b>2,872,616</b>
<b>Capital activities:</b>		
Acquisition of tangible capital assets <sup>1</sup>	(4,121,517)	(3,986,482)
Proceeds on sale of tangible capital assets	52,354	-
<b>Total capital activities</b>	<b>(4,069,163)</b>	<b>(3,986,482)</b>
<b>Financing activities:</b>		
Proceeds on long-term debt	934,545	-
Repayment of short-term debt	(420,508)	(288,902)
Repayment of long-term debt	(75,764)	(78,516)
<b>Total financing activities</b>	<b>438,273</b>	<b>(367,418)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>5,143,913</b>	<b>(1,481,284)</b>
Cash and cash equivalents, beginning of year	33,860,599	35,341,883
<b>Cash and cash equivalents, end of year</b>	<b>\$ 39,004,512</b>	<b>\$ 33,860,599</b>
Cash paid for interest	\$ 80,506	\$ 64,943
Cash received from interest	629,752	353,677

<sup>1</sup> 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, 2018

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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 Blackpool, Pritchard and Vavenby Fire Departments.

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, 2018

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### 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 revenue includes amounts received from third parties which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired, thereby extinguishing the related liability.

(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.

**Thompson-Nicola Regional District**  
Notes to Consolidated Financial Statements

Year ended December 31, 2018

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**1. Significant accounting policies (continued):**

(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, 2018

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**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:

<b>Asset</b>	<b>Useful Life - Years</b>
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, 2018

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**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 Bylaw adopted by the Board of Directors on March 29, 2018. 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.



**Thompson-Nicola Regional District**  
Notes to Consolidated Financial Statements

Year ended December 31, 2018

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**2. Future Accounting Standards:**

In August 2018 the Public Sector Accounting Board issued new accounting standard PS 3280 *Asset Retirement Obligations*, which will be effective for the TNRD in fiscal 2022. This new standard will expand upon and replace PS 3270, *Solid Waste Landfill Closure and Post-Closure Liability* and is expected therefore to impact the calculation of the TNRD landfill liability (see note 8). PS 3280 introduces a different liability calculation methodology in which the ARO liability will generally be recognized earlier and a corresponding tangible capital asset also recognized.

Under PS 3280 an asset retirement obligation liability is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset, the past transaction or event giving rise to the obligation has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. All four criteria must be met.

The TNRD has not yet calculated the impact of this change in methodology on the carrying values of its landfill liability, tangible capital assets or accumulated surplus.

**3. Cash and cash equivalents:**

	Cost 2018	Cost 2017
Bank	\$ 22,875,759	\$ 17,993,609
Short-term investments	16,128,753	15,866,990
Cash and cash equivalents	\$ 39,004,512	\$ 33,860,599

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 1.63% (2017 - 0.96%).

**4. Accounts receivable:**

Accounts receivable are reported net of a valuation allowance of \$84,410 (2017 - \$94,876).

**Thompson-Nicola Regional District**  
Notes to Consolidated Financial Statements

Year ended December 31, 2018

**5. Deferred revenue:**

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

Source/purpose:	Deferred balance 2017	Contributions /interest	Revenues recognized	Deferred balance 2018
Federal Gas Tax - Community Works Funds	\$ 4,097,437	\$ 1,142,473	\$ (763,911)	\$ 4,475,999
Red Cross -Wildfire Recovery Initiative	-	441,202	-	441,202
Province of BC-Invasive Plant Program	-	80,000	-	80,000
North Thompson Economic Development Society	64,181	13,126	-	77,307
District of Clearwater-Vavenby Taxation	36,218	10,893	-	47,111
Creative BC-Film Commission	15,000	45,000	(30,000)	30,000
Friends of the Library donations	20,963	11,412	(6,827)	25,548
Library Digitalization Grants	12,542	17,500	(17,274)	12,768
Telus grant	5,535	-	-	5,535
Canada Water & Waste Water Fund	92,769	-	(92,769)	-
Other unexpended grant proceeds	28,403	27,614	(27,554)	28,463
Other	40,911	3,480	(8,200)	36,191
	<b>\$ 4,413,959</b>	<b>\$ 1,792,700</b>	<b>\$ (946,535)</b>	<b>\$ 5,260,124</b>

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.

**Thompson-Nicola Regional District**  
Notes to Consolidated Financial Statements

Year ended December 31, 2018

**6. 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.

b) MFA Equipment Financing - Lytton Library Facilities Loan

A facilities loan for the Lytton Library building was financed under the MFA equipment loan program. Borrowing is executed through a short-term loan agreement and a demand promissory note, with a 60 month term maturing April 30, 2021. Interest is calculated daily, compounded monthly and paid on a monthly basis. Principal and interest payments of \$1,085 per month are scheduled over the term of the debt, but early repayment of principal can occur at any time without notice or penalty.

c) As at December 31, 2018, short-term debt consists of the following:

Temporary Debt	Loan Authorization Bylaw No.	Temporary Debt Bylaw No.	Balance Outstanding Dec 31, 2017	Issued	Principal Repayment	Balance Outstanding Dec 31, 2018
Savona Water	2084	2338	\$ 409,709	\$ -	\$ 409,709	\$ -
Lytton Library Facilities Loan			102,680	-	10,799	91,881
			\$ 512,389	\$ -	\$ 420,508	\$ 91,881

The weighted average interest rate on temporary debt for 2018 was 2.26% (2017 - 1.59%). Interest paid during the year was \$6,482 (2017 - \$6,894).

Equipment financing debt matures April 30, 2021 and bears interest at a floating rate as determined by MFA from time to time. Interest paid during the year was \$2,221 (2017 - \$1,723) reflecting an average rate of 2.28% (2017 - 1.59%).

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 7(b) to these financial statements

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

2019	\$ 10,575
2020	10,870
2021	70,436
<b>Total</b>	<b>\$ 91,881</b>

**Thompson-Nicola Regional District**  
Notes to Consolidated Financial Statements

Year ended December 31, 2018

**7. 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 related sinking fund investments.

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, 2018, long-term debt consists of the following:

MFA Issue No.	Bylaw No.	Term in Years	Maturity Date	Interest Rate	Balance Outstanding Dec 31, 2017	Issued	Principal Repayment	Actuarial Adjustment	Balance Outstanding Dec 31, 2018
70	1702	20	2019	2.100 %	8,073	-	1,823	2,124	4,126
72	1762	20	2020	2.100 %	101,675	-	15,689	16,722	69,264
95	2054	20	2025	1.800 %	19,732	-	1,470	710	17,552
95	2054	20	2025	1.800 %	23,184	-	1,728	834	20,622
102	2180	20	2027	2.250 %	12,931	-	728	349	11,854
103	2205	20	2028	2.650 %	81,393	-	4,240	1,795	75,358
103	2205	20	2028	2.650 %	36,421	-	1,897	803	33,721
103	2205	20	2028	2.650 %	45,444	-	2,368	1,002	42,074
103	2204	10	2018	4.650 %	2,371	-	1,666	705	-
104	2226	10	2018	5.150 %	5,335	-	3,748	1,587	-
131	2498	20	2035	2.200 %	241,290	-	9,194	655	231,441
137	2088	20	2036	2.600 %	385,855	-	14,144	495	371,216
137	2227	20	2036	2.600 %	236,434	-	8,667	303	227,464
137	2350	20	2036	2.600 %	229,198	-	8,402	294	220,502
146	2084	20	2036	3.200 %	-	934,545	-	-	934,545
<b>Total MFA debenture debt</b>					<b>\$ 1,429,336</b>	<b>\$ 934,545</b>	<b>\$ 75,764</b>	<b>\$ 28,378</b>	<b>\$ 2,259,739</b>

The weighted average interest rate for 2018 was 2.56% (2017 - 3.24%). Interest paid during the year was \$53,844. (2017 - \$58,049)

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

2019	\$ 105,130
2020	103,307
2021	87,618
2022	87,618
2023	87,618
<b>Total</b>	<b>\$ 471,291</b>

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, 2018

**7. 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
Loon Lake Fire Protection	2652	April 2018	\$ 653,000	\$ 653,000
Tobiano Fire Protection	2657	July 2018	1,000,000	1,000,000
<b>Total</b>			<b>\$ 1,653,000</b>	<b>\$ 1,653,000</b>

**8. 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. In 2018, the TNRD adopted updates to its 10-year Solid Waste Management Plan, changes in which are reflected in the underlying assumptions for calculation of this liability. Under this updated plan the Heffley Creek landfill changed to accepting demolition, land clearing and construction ('DLC') waste only, extending its estimated useful life.

The landfill closure and post-closure liability as at December 31, 2018 is \$5,461,528 (2017 - \$5,461,528). 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 responsibilities, using an inflation rate of 2% (2017 – 2%) and discount rate of 3% (2017 – 3%), 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 liability calculation, wherein the post-closure care period are 100 years for the two active landfill sites and 25 years for 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 \$14,280,559.

**Thompson-Nicola Regional District**  
Notes to Consolidated Financial Statements

Year ended December 31, 2018

**8. Landfill remediation liability (continued):**

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

	Clearwater, Barriere and Chase	Heffley Creek	Lower Nicola
Closure date	closed	2145	2079
Future closure/post-closure costs	\$ 4,094,714	\$ 359,763,448	\$ 95,860,668
Present value of future costs	\$ 3,009,213	\$ 4,290,159	\$ 6,981,188
Total capacity (m3)	n/a	2,029,269	1,501,415
Deposited to date (m3)	n/a	551,626	197,331
Utilization of total capacity to date	100%	27%	13%
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 227 years, using the best information available to management. Changes in the liability could result from new technology, changes in regulatory requirements or accounting standards, settling of waste or changes in fill rates, 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.

The above landfill liability reflected in these financial statements follows the methodology set out in PS 3270, *Solid Waste Landfill Closure and Post-Closure Liability*. However, as referenced in note 2, in August 2018 the Public Sector Accounting Board issued new accounting standard PS 3280 *Asset Retirement Obligations*, which will expand upon and replace PS 3270 and introduce changes in the accounting for this liability. The impact of this change for the TNRD is yet to be determined.

## Thompson-Nicola Regional District

### Notes to Consolidated Financial Statements

Year ended December 31, 2018

#### 9. 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
<b>2018</b>									
<b>Cost</b>									
Balance, beginning 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
Additions	-	-	1,493,175	2,112,123	90,471	33,189	-	392,559	4,121,517
Disposals	-	-	-	(319,383)	-	-	-	(39,864)	(359,247)
Transfer of assets	-	-	169,037	431,057	1,945,989	71,776	-	(2,617,859)	-
Balance, end of year	3,817,722	3,089,747	32,874,427	27,017,835	15,932,312	4,295,798	447,799	633,420	88,109,060
<b>Accumulated Amortization</b>									
Balance, beginning of year	-	755,509	11,098,474	15,651,281	5,272,232	2,050,251	171,724	-	34,999,471
Disposals	-	-	-	(309,383)	-	-	-	-	(309,383)
Amortization expense	-	167,240	926,161	1,433,366	365,657	116,555	12,794	-	3,021,773
Balance, end of year	-	922,749	12,024,635	16,775,264	5,637,889	2,166,806	184,518	-	37,711,861
Net book value, end of year	\$ 3,817,722	\$ 2,166,998	\$ 20,849,792	\$ 10,242,571	\$ 10,294,423	\$ 2,128,992	\$ 263,281	\$ 633,420	\$ 50,397,199

Assets under construction having a value of \$633,420 (2017 - \$2,898,584) 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, 2018

#### 9. 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
<b>2017</b>									
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



**Thompson-Nicola Regional District**  
Notes to Consolidated Financial Statements

Year ended December 31, 2018

**10. 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, 2018 are as follows:

	2018	2017
Unrestricted surplus	\$ 55,691,616	\$ 56,162,951
Operating reserves	16,508,452	13,305,076
Capital reserves	4,812,867	4,432,453
<b>Total accumulated surplus</b>	<b>\$ 77,012,935</b>	<b>\$ 73,900,480</b>

Individual fund surpluses and reserves at December 31, 2018 are as follows:

	2018	2017
<b>Unrestricted surplus:</b>		
Investment in tangible capital assets	\$ 48,137,460	\$ 47,917,983
External committee cash balances	-	157,182
Investment in Strata Corp (KAS2093)	688,881	689,884
Other	6,865,275	7,397,902
<b>Total surplus</b>	<b>\$ 55,691,616</b>	<b>\$ 56,162,951</b>

	2018	2017
<b>Operating Reserves:</b>		
Insurance Deductible Reserve	\$ 11,749	\$ 11,560
Proposed Function Reserve	174,158	161,509
General Administration	2,223,420	2,187,545
Solid Waste Management	10,137,890	8,009,361
E911	231,839	220,719
Building Department	1,824,910	1,844,658
Community Assistance Funds	901,603	552,050
Library System	1,002,883	317,674
<b>Total operating reserves</b>	<b>\$ 16,508,452</b>	<b>\$ 13,305,076</b>

Interest income and contributions to operating reserves for 2018 were \$3,253,377 (2017 - \$1,954,430) and transfers out of reserves were \$50,000 (2017 - \$NIL).

**Thompson-Nicola Regional District**  
Notes to Consolidated Financial Statements

Year ended December 31, 2018

**10. Accumulated Surplus (continued):**

	2018	2017
<b>Capital Reserves:</b>		
General Fund:		
E911	\$ 1,771,060	\$ 1,643,494
Ashcroft Fire Protection	57,546	56,617
Barriere Fire Protection	31,664	28,103
Blackpool Fire Protection	111,165	195,802
Pritchard Fire Protection	85,291	64,237
Vavenby Fire Protection	246,345	178,419
Alternative Waste Collection - Area B	67,928	47,154
Alternative Waste Collection - Area J	280,629	269,214
Alternative Waste Collection - Area N	9,082	5,000
Alternative Waste Collection - Area P	5,082	5,000
Community Halls - Area B	33,557	28,096
Vavenby Community Hall	14,705	9,548
Nicola Valley Aquatic Centre	188,926	152,387
Parks - Area A	211,580	217,414
Parks - Area B	95,383	93,844
Parkland Dedication - Area E	16,201	15,940
Parkland Dedication - Area M	91,807	90,325
Parkland Dedication - Area P	54,572	53,691
TNRD Library Service	605,838	596,063
TV - Area B	2,065	2,031
	<u>3,980,426</u>	<u>3,752,379</u>
Sewer Fund:		
Paul Lake	178,778	174,024
Pritchard	77,969	76,170
	<u>256,747</u>	<u>250,194</u>
Water Fund:		
Black Pines	42,699	32,863
Blue River	46,627	18,438
Del Oro	37,241	23,653
Evergreen	3,707	1,018
Loon Lake	22,491	13,291
Maple Mission	84,045	77,174
Pritchard	74,386	44,240
Savona	177,607	148,669
Spences Bridge	34,827	33,773
Vavenby	36,620	21,764
Walhachin	12,603	12,203
	<u>572,853</u>	<u>427,086</u>
<b>Subtotal</b>	<u>4,810,026</u>	<u>4,429,659</u>

**Thompson-Nicola Regional District**  
Notes to Consolidated Financial Statements

Year ended December 31, 2018

**10. Accumulated Surplus (continued):**

	2018	2017
<b>Subtotal Continued</b>	\$ 4,810,026	\$ 4,429,659
Perpetual Care Fund:		
Blue River Cemetery	2,516	2,475
Avola Cemetery	325	319
	<u>2,841</u>	<u>2,794</u>
Total capital reserves	\$ 4,812,867	\$ 4,432,453

Interest income and contributions to capital reserves for 2018 were \$590,558 (2017 - \$533,134) and transfers out of reserves were \$210,149 (2017 - \$1,016,377).

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, 2018 the amount owing is \$74,238.

**11. 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
2019	\$ 43,603	\$ 154,840	\$ 5,713,148	\$ 5,911,591
2020	39,158	64,601	4,736,007	4,839,766
2021	4,636	49,953	4,420,398	4,474,987
2022	-	26,118	4,216,247	4,242,365
2023	-	-	3,477,616	3,477,616
	<u>\$ 87,397</u>	<u>\$ 295,512</u>	<u>\$ 22,563,416</u>	<u>\$ 22,946,325</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, 2023. The expected annual cost of executing these contracts is approximately \$3.18 million.

**Thompson-Nicola Regional District**  
Notes to Consolidated Financial Statements

Year ended December 31, 2018

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**11. 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, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 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 \$717,641 (2017 - \$725,322) for employer contributions to the plan in fiscal 2018.

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, 2018

**11. 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, 2018, 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, 2018 are as follows:

	TNRD	Member Municipalities	2018 Totals	2017 Totals
Cash deposits	\$ 37,712	\$ 2,232,073	\$ 2,269,785	\$ 2,404,475
Contingent demand notes	76,479	5,280,854	5,357,333	5,758,580
Debt reserve fund	\$ 114,191	\$ 7,512,927	\$ 7,627,118	\$ 8,163,055

(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 2018	MFA Debt 2017	Payments 2018	Payments 2017
Chase	\$ 2,054,089	\$ 2,127,730	\$ 145,150	\$ 145,150
Clearwater	411,959	130,015	53,847	48,751
Clinton	24,770	27,355	2,554	2,554
Kamloops	99,744,764	109,977,467	12,091,164	12,946,898
Logan Lake	1,867,940	2,099,933	272,463	272,463
Lytton	104,222	122,186	16,273	16,273
Merritt	6,478,574	6,885,263	627,004	806,240
Sun Peaks	950,000	-	14,963	-
Total	\$111,636,318	\$121,369,949	\$ 13,223,418	\$ 14,238,329

## Thompson-Nicola Regional District

### Notes to Consolidated Financial Statements

Year ended December 31, 2018

#### 12. 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:

	2018	2017
<b>Transfers recognized in revenue:</b>		
Government transfers:		
Provincial Emergency Program	\$ 1,395,479	\$ 2,925,606
Building Canada Fund	-	1,040,505
UBCM Federal Gas Tax - Community Works Fund	763,911	835,804
Provincial Funding Library Services	388,121	388,535
Clean Water & Wastewater Fund	264,889	180,355
Provincial Invasive Plant	250,000	-
Provincial Funding Basic Grants	140,000	140,000
2017 Wildlife Recovery Initiative - Disaster Response	88,523	-
2017 Red Cross Danger Tree Remediation & Riparian Area Assessment Project	44,450	-
Other	265,900	175,915
	3,601,273	5,686,720
Grants from sources other than government	54,980	46,407
<b>Total</b>	<b>\$ 3,656,253</b>	<b>\$ 5,733,127</b>

#### 13. Related party transactions:

The TNRD provides accounting and management services to the Thompson Regional Hospital District ("TRHD"), the entity is related by way of overlap of Board Directors. The TNRD received a payment of \$11,000 (2017 - \$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.

#### 14. 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:

**Thompson-Nicola Regional District**  
Notes to Consolidated Financial Statements

Year ended December 31, 2018

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**14. Segmented information (continued):**

(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

(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

**Thompson-Nicola Regional District**  
Notes to Consolidated Financial Statements

Year ended December 31, 2018

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**14. Segmented information (continued):**

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, 2018

### 14. Segmented information (continued):

	2018							
	General government services	Protective services	Transportation services	Environmental health services	Public health and welfare	Environmental development		Subtotal
<b>Revenue</b>								
Taxation	\$ 2,991,294	\$ 2,416,048	\$ 108,378	\$ 8,554,426	\$ 106,711	\$ 1,339,727		\$ 15,516,584
Grants in lieu	50,384	1,524	314	-	7	17,109		69,338
User charges	-	713,677	-	2,414,143	-	65,667		3,193,487
Government transfer	509,210	1,585,500	129	263,241	-	137,786		2,495,866
Investment income	412,064	50,855	-	142,303	1,323	5,007		611,552
Gain/loss on disposal of Assets	-	-	-	2,490	-	-		2,490
Other revenue	185,282	270,612	-	148,090	3,740	36,893		644,617
	4,148,234	5,038,216	108,821	11,524,693	111,781	1,602,189		22,533,934
<b>Expenses</b>								
Wages, salaries, indemnities and benefits	3,288,083	964,237	-	1,026,295	3,037	982,450		6,264,102
Operating costs	1,591,503	2,464,824	117,274	7,624,874	72,649	495,937		12,367,061
External transfers to others	5,000	926,497	4,223	-	27,304	164,376		1,127,400
Debt services	-	2,208	-	-	-	-		2,208
Amortization	334,928	130,196	-	929,245	-	17,979		1,412,348
	5,219,514	4,487,962	121,497	9,580,414	102,990	1,660,742		21,173,119
Annual surplus (deficit)	\$ (1,071,280)	\$ 550,254	\$ (12,676)	\$ 1,944,279	\$ 8,791	\$ (58,553)		\$ 1,360,815

## Thompson-Nicola Regional District

### Notes to Consolidated Financial Statements

Year ended December 31, 2018

#### 14. Segmented information (continued):

2018						
	Subtotal	Recreational and cultural services	Waterworks	Sewerage	Utilities	2018
<b>Revenue</b>						
Taxation	\$ 15,516,584	\$ 8,140,931	\$ 328,371	\$ 154,333	\$ 6,248	\$ 24,146,467
Grants in lieu	69,338	96,755	1,483	8	-	167,584
User charges	3,193,487	-	821,371	124,625	-	4,139,483
Government transfer	2,495,866	438,061	323,754	398,572	-	3,656,253
Investment income	611,552	32,570	9,905	4,103	-	658,130
Gain/loss on disposal of Assets	2,490	-	-	-	-	2,490
Other revenue	644,617	130,246	304,555	41,090	656	1,121,164
	22,533,934	8,838,563	1,789,439	722,731	6,904	33,891,571
<b>Expenses</b>						
Wages, salaries, indemnities and benefits	6,264,102	4,553,123	-	-	-	10,817,225
Operating costs	12,367,061	1,687,280	405,741	540,097	-	15,000,179
External transfers to others	1,127,400	749,371	-	-	-	1,876,771
Debt services	2,208	-	48,964	9,939	2,057	63,168
Amortization	1,412,348	1,127,213	365,657	116,555	-	3,021,773
	21,173,119	8,116,987	820,362	666,591	2,057	30,779,116
Annual surplus (deficit)	\$ 1,360,815	\$ 721,576	\$ 969,077	\$ 56,140	\$ 4,847	\$ 3,112,455

## Thompson-Nicola Regional District

### Notes to Consolidated Financial Statements

Year ended December 31, 2018

#### 14. Segmented information (continued):

	2017							
	General government services	Protective services	Transportation services	Environmental health services	Public health and welfare	Environmental development		Subtotal
<b>Revenue</b>								
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
<b>Expenses</b>								
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, 2018

### 14. Segmented information (continued):

2017						
	Subtotal	Recreational and cultural services	Waterworks	Sewerage	Utilities	2017
<b>Revenue</b>						
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
<b>Expenses</b>						
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, 2018

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**15. Budget information:**

The budget data presented in these consolidated financial statements is based upon the 2018 Financial Plan approved by the Board of Directors on March 29, 2018. 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 2018 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.

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	Budget Amount
Surplus - Statement of Operations	\$ 206,286
Adjust for budgeted cash items, not included in Statement of Operations	
Proceeds on debt issue	(460,000)
Transfer from reserves	(422,914)
Acquisition of tangible capital assets	9,931,437
Principal payments	175,764
Transfer from operating surplus	(9,018,001)
<b>Total adjustments</b>	<b>206,286</b>
<b>Financial Plan Balance</b>	<b>\$ -</b>

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