

THOMPSON-NICOLA REGIONAL DISTRICT

Consolidated Financial Statements

December 31, 2016



Consolidated Financial Statements of

**THOMPSON-NICOLA
REGIONAL DISTRICT**

Year ended December 31, 2016

Thompson-Nicola Regional District

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Year ended December 31, 2016

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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, 2016, 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, 2016, 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 starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Kamloops, Canada
March 23, 2017

Thompson-Nicola Regional District
Consolidated Statement of Financial Position

December 31, 2016, with comparative figures for 2015

	2016	2015
Financial assets:		
Cash and cash equivalents (note 2)	\$ 35,341,883	\$ 31,545,630
Accounts receivable (note 3)	1,259,858	1,326,417
Total financial assets	36,601,741	32,872,047
Liabilities:		
Accounts payable and accrued liabilities	3,152,276	2,670,141
Deferred revenue (note 4)	4,168,043	4,486,970
Short-term debt (note 5)	801,291	1,561,187
Long-term debt (note 6)	1,533,314	755,849
Obligations under capital lease (note 7)	-	173,623
Landfill remediation liability (note 8)	4,097,353	3,870,880
Total liabilities	13,752,277	13,518,650
Net financial assets	22,849,464	19,353,397
Non-financial assets:		
Tangible capital assets (note 9)	48,418,222	48,650,812
Prepaid expenses	94,746	201,294
Total non-financial assets	48,512,968	48,852,106
Accumulated surplus (note 10)	\$ 71,362,432	\$ 68,205,503

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, 2016, with comparative figures for 2015

	Budget (note 15)	2016	2015
Revenue:			
Tax requisition	\$ 24,103,612	\$ 24,103,670	\$ 24,370,145
Government transfers and other grants (note 12)	5,061,414	2,154,691	2,371,066
Grants in lieu of taxes	110,115	170,402	176,809
Sale of services	2,869,718	2,866,425	2,602,194
Water and sewer tolls	766,080	835,884	784,074
Interest	100,000	270,454	250,208
Other revenue	453,071	1,037,985	670,321
Gain on sale of assets	-	16,963	5,850
Actuarial adjustment of long-term debt	-	45,165	41,140
Total revenue	33,464,010	31,501,639	31,271,807
Expenses:			
General government services	5,189,129	4,530,918	4,930,962
Protective services	3,892,667	2,949,566	2,617,526
Transportation services	128,946	112,853	105,976
Environmental health services	13,226,954	9,428,056	8,814,688
Public health and welfare	99,547	100,120	93,037
Environmental development	2,423,651	1,697,844	1,565,609
Recreational and cultural services	9,850,996	8,426,617	8,217,160
Waterworks	831,381	844,966	764,852
Sewerage	415,612	251,452	567,821
Utilities	2,318	2,318	2,318
Total expenses	36,061,201	28,344,710	27,679,949
Annual surplus (deficit)	(2,597,191)	3,156,929	3,591,858
Accumulated surplus, beginning of year	68,205,503	68,205,503	64,613,645
Accumulated surplus, end of year	\$ 65,608,312	\$ 71,362,432	\$ 68,205,503

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, 2016, with comparative figures for 2015

	Budget (note 15)	2016	2015
Annual surplus (deficit)	\$ (2,597,191)	\$ 3,156,929	\$ 3,591,858
Acquisition of tangible capital assets	(7,254,105)	(2,800,988)	(2,189,025)
Amortization on tangible capital assets	-	2,995,041	3,057,924
Loss (gain) on sale of tangible capital assets	-	(16,963)	(5,850)
Proceeds on sale of tangible capital assets	-	55,500	20,850
	(9,851,296)	3,389,519	4,475,757
Acquisition of prepaid expenses	-	(94,746)	(201,294)
Use of prepaid expenses	-	201,294	100,967
	-	106,548	(100,327)
Change in net financial assets	(9,851,296)	3,496,067	4,375,430
Net financial assets, beginning of year	19,353,397	19,353,397	14,977,967
Net financial assets, end of year	\$ 9,502,101	\$ 22,849,464	\$ 19,353,397

The accompanying notes are integral to these financial statements.

Thompson-Nicola Regional District
Consolidated Statement of Cash Flows

Year ended December 31, 2016, with comparative figures for 2015

	2016	2015
Cash provided (used) by:		
Operating activities:		
Annual surplus	\$ 3,156,929	\$ 3,591,858
Items not involving cash:		
Actuarial adjustment of long-term debt	(45,165)	(41,140)
Amortization	2,995,041	3,057,924
Landfill remediation liability	226,473	(69,058)
Loss (gain) on sale of tangible capital assets	(16,963)	(5,850)
Change in non-cash assets and liabilities:		
Accounts receivable	66,559	1,280,519
Accounts payable and accrued liabilities	482,135	(1,038,891)
Deferred revenue	(318,927)	17,023
Prepaid expenses	106,548	(100,327)
Total operating activities	6,652,630	6,692,058
Capital activities:		
Acquisition of tangible capital assets ¹	(2,800,988)	(2,189,025)
Proceeds on sale of tangible capital assets	55,500	20,850
Total capital activities	(2,745,488)	(2,168,175)
Financing activities:		
Proceeds on short-term debt	121,556	-
Proceeds on long-term debt	882,701	260,000
Repayment of short-term debt	(881,452)	(297,090)
Repayment of long-term debt	(60,071)	(50,601)
Repayment of obligations under capital lease	(173,623)	(34,069)
Total financing activities	(110,889)	(121,760)
Increase in cash and cash equivalents	3,796,253	4,402,123
Cash and cash equivalents, beginning of year	31,545,630	27,143,507
Cash and cash equivalents, end of year	\$ 35,341,883	\$ 31,545,630
Cash paid for interest	\$ 67,496	\$ 78,679
Cash received from interest	270,454	250,208

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, 2016

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, 2016

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, 2016

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, 2016

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 24, 2016. 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 2016	Cost 2015
Bank	\$ 19,627,922	\$ 15,955,568
Short-term investments	15,713,961	15,590,062
Cash and cash equivalents	\$ 35,341,883	\$ 31,545,630

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 0.79% (2015 - 0.85%).

3. Accounts receivable:

Accounts receivable are reported net of a valuation allowance of \$67,283 (2015 - \$67,283).

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2016

4. Deferred revenue:

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

Source/purpose:	Deferred balance 2015	Contributions /Interest	Revenues recognized	Deferred balance 2016
Thompson-Nicola Film Commission	\$ 30,000	\$ 30,000	\$ (30,000)	\$ 30,000
Federal Gas Tax - Community Works Funds	3,862,408	1,056,223	(1,062,466)	3,856,165
Vavenby Share of Clearwater Taxes	68,061	11,515	(39,845)	39,731
Friends of the Library	29,411	13,600	(13,182)	29,829
North Thompson Economic Development Society proceeds	117,231	874	(36,642)	81,463
Telus grant proceeds	12,460	-	(6,925)	5,535
Digitalization Grant	26,184	20,000	(38,292)	7,892
Other unexpended grant proceeds	30,336	63,581	(29,840)	64,077
Other	310,879	47,735	(305,263)	53,351
	\$ 4,486,970	\$ 1,243,528	\$(1,562,455)	\$ 4,168,043

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 funds may be used towards designated public transit, community energy, drinking water, wastewater, solid waste, sport/recreation/cultural/tourism infrastructure, disaster mitigation, broadband connectivity, brownfield redevelopment and capacity building projects, as specified in the funding agreement. Gas tax revenues are recognized as the funds are expended for the intended 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 in lieu funds become available.

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2016

5. Short-term debt: (continued)

b) MFA Equipment Financing

In the current year the TNRD utilized the MFA equipment financing program to replace financing for a facility that was previously financed under the MFA lease program, which was reflected in the TNRD consolidated financial statements as a capital lease obligation (see note 7). 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, 2016, short-term debt consists of the following:

Temporary Debt	Loan Authorization Bylaw No.	Temporary Debt Bylaw No.	Balance Outstanding Dec 31, 2015	Issued	Principal Repayment	Balance Outstanding Dec 31, 2016
Savona Water	2084	2338	\$ 409,709	\$ -	\$ -	\$ 409,709
Loon Lake Water	2122	2339	18,177	-	-	18,177
Spences Bridge Water	2088	2340	144,160	-	144,160	-
Spences Bridge Water	2227	2368	755,391	-	495,964	259,427
Walhachin Water	2350	2395	233,750	-	233,750	-
			\$ 1,561,187	\$ -	\$ 873,874	\$ 687,313
MFA Equipment Financing			-	121,556	7,578	113,978
			\$ 1,561,187	\$ 121,556	\$ 881,452	\$ 801,291

The weighted average interest rate on temporary debt for 2016 was 1.39% (2015 - 1.42%). Interest paid during the year was \$12,582 (2015 - \$25,468).

Equipment financing debt matures April 30, 2021 and bears interest at 1.44% per annum. Interest paid during the year was \$1,117 (2015 - Nil).

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

Subsequent to year end, both the Loon Lake Water & Spences Bridge Water temporary debts were paid in full.

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

2017	\$ 11,445
2018	11,611
2019	11,781
2020	11,950
2021	67,191
Total	\$ 113,978

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2016

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.

In addition, the TNRD has financed certain assets under the MFA's equipment financing program which were formerly financed through a capital lease agreement prior to 2016. This loan is a demand, non-revolving loan with a 60 month term ending April 30, 2021 secured by a promissory note.

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, 2016, long-term debt consists of the following:

MFA Issue No.	Bylaw No.	Term in Years	Maturity Date	Interest Rate	Balance Outstanding Jan 1, 2016	Issued	Principal Repayment	Actuarial Adjustment	Balance Outstanding Dec 31, 2016
63	1511	20	2016	3.000 %	\$ 7,642	\$ -	\$ 3,024	\$ 4,618	\$ -
63	1510	20	2016	3.000 %	2,522	-	998	1,524	-
63	1509	20	2016	3.000 %	27,130	-	10,736	16,394	-
65	1589	20	2017	4.550 %	3,208	-	650	915	1,643
70	1702	20	2019	3.150 %	15,461	-	1,823	1,789	11,849
72	1762	20	2020	3.150 %	162,371	-	15,689	13,991	132,691
95	2054	20	2025	1.800 %	23,873	-	1,470	565	21,838
95	2054	20	2025	1.800 %	28,050	-	1,728	663	25,659
102	2180	20	2027	4.820 %	17,264	-	840	309	16,115
103	2205	20	2028	4.650 %	92,773	-	4,239	1,339	87,195
103	2205	20	2028	4.650 %	41,514	-	1,897	600	39,017
103	2205	20	2028	4.650 %	51,801	-	2,368	748	48,685
103	2204	10	2018	4.650 %	6,843	-	1,666	526	4,651
104	2226	10	2018	5.150 %	15,397	-	3,748	1,185	10,464
131	2498	20	2035	2.200 %	260,000	-	9,194	-	250,806
137	2088	20	2036	2.600 %	-	400,000	-	-	400,000
137	2227	20	2036	2.600 %	-	245,101	-	-	245,101
137	2350	20	2036	2.600 %	-	237,600	-	-	237,600
Total MFA debenture debt					\$ 755,849	\$ 882,701	\$ 60,070	\$ 45,166	\$ 1,533,314

The weighted average interest rate for 2016 was 2.86% (2015 - 3.23%). Interest paid during the year was \$54,383. (2015 - \$49,429)

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

2017	\$ 76,526
2018	75,876
2019	70,462
2020	68,639
2021	52,950
Total	\$ 344,453

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2016

6. Long-term debt (continued):

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.

(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 Water	2122	January 2007	\$ 150,000	\$ 131,823
Savona Water	2084	December 2006	1,200,000	790,291
Total			\$ 1,350,000	\$ 922,114

7. Obligations under capital lease:

The TNRD held certain assets under capital lease which matured in 2016 and were re-financed under the MFA Equipment financing program as a demand, non-revolving loan (see note 5):

	2016	2015
Year ending December 31:		
2016	\$ -	\$ 174,585
	-	174,585
Less amounts representing interest	-	962
Present value of net minimum capital lease payments	\$ -	\$ 173,623

Interest of \$169 (2015 - \$3,458) relating to capital lease obligations has been included in expenses on the Consolidated Statement of Operations.

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

The landfill closure and post-closure liability as at December 31, 2016 is \$4,097,353 (2015 - \$3,870,880). The liability is recognized as the landfill sites' capacity is used based on the ratio of currently utilized capacity to estimated total capacity (see table below) and represents management's best estimate of the present value of future cash flows prorated on this basis. Present value of future cash flows for 100% of expected landfill closure and post-closure care costs is estimated to be \$9,153,846.

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2016

8. 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	2103	2104
Future closure/post-closure costs	\$ 4,413,110	\$ 46,225,456	\$ 38,507,021
Present value of future costs	\$ 2,950,042	\$ 3,150,731	\$ 3,053,073
Total capacity (m3)	n/a	1,997,832	1,520,141
Deposited to date (m3)	n/a	505,060	172,206
Utilization of total capacity to date	100%	25%	11%

Once the landfills are closed, post closure care is expected to occur annually over 25 years. For Clearwater, Barriere and Chase this began in 2014. Estimated closure and post-closure care costs have been adjusted for inflation using a rate of 2% per year (2015 – 2%), based on the long-term inflation target jointly set by the Government of Canada and the Bank of Canada. The present value has been calculated using a 3.62% discount rate (2015 – 4%), based on the indicative market rates for long-term borrowing (30 years) published by MFA.

The reported liability is based on estimates and assumptions with respect to anticipated events over the expected remaining service life of the landfills of 87 to 88 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, 2016

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
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

Assets under construction having a value of \$351,458 (2015 - \$528,016) 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, 2016

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
2015									
Cost									
Balance, beginning of year	\$ 3,817,722	\$ 2,993,260	\$ 30,507,958	\$ 20,253,963	\$ 13,505,987	\$ 3,590,796	\$ 447,799	\$ 490,391	\$ 75,607,876
Additions	-	57,039	100,162	1,512,449	132,475	82,520	-	304,380	2,189,025
Disposals	-	-	-	(82,848)	-	-	-	-	(82,848)
Transfer of assets	-	390	247,484	3,618	4,579	10,684	-	(266,755)	-
Balance, end 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
Accumulated Amortization									
Balance, beginning of year	-	257,352	8,130,099	11,599,077	4,244,341	1,708,955	133,341	-	26,073,165
Disposals	-	-	-	(67,848)	-	-	-	-	(67,848)
Amortization expense	-	164,909	980,670	1,446,899	344,319	108,333	12,794	-	3,057,924
Balance, end of year	-	422,261	9,110,769	12,978,128	4,588,660	1,817,288	146,135	-	29,063,241
Net book value, end of year	\$ 3,817,722	\$ 2,628,428	\$ 21,744,835	\$ 8,709,054	\$ 9,054,381	\$ 1,866,712	\$ 301,664	\$ 528,016	\$ 48,650,812

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2016

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 and amortization, other unrestricted surplus carried forward, and the unfunded portion of the landfill remediation liability. 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 Board resolution.

Total surplus and reserves at December 31, 2016 are as follows:

	2016	2015
Unrestricted surplus	\$ 55,096,090	\$ 55,011,462
Operating reserves	11,350,646	8,503,047
Capital reserves	4,915,696	4,690,994
Total accumulated surplus	\$ 71,362,432	\$ 68,205,503

Individual fund surpluses and reserves at December 31, 2016 are as follows:

	2016	2015
Unrestricted surplus:		
Investment in tangible capital assets	\$ 46,884,908	\$ 47,721,340
External committee cash balances	113,530	100,902
Investment in Strata Corp (KAS2093)	634,121	585,972
Other	7,463,531	6,603,248
Total surplus	\$ 55,096,090	\$ 55,011,462

	2016	2015
Operating Reserves:		
Insurance Deductible Reserve	\$ 11,449	\$ 11,359
Proposed Function Reserve	150,057	138,955
General Administration	2,166,612	2,149,523
Solid Waste Management	6,662,281	4,139,373
E911	218,607	216,882
Building Department	1,827,006	1,812,595
Library System	314,634	34,360
Total operating reserves	\$ 11,350,646	\$ 8,503,047

Interest income and contributions to operating reserves for 2016 were \$2,847,599 (2015 - \$1,738,431) and transfers out of reserves were \$NIL (2015 - \$6,810).

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2016

10. Accumulated Surplus (continued):

	2016	2015
Capital Reserves:		
General Fund:		
E911	\$ 1,798,150	\$ 1,783,968
Ashcroft Fire Protection	56,075	87,828
Barriere Fire Protection	24,764	74,652
Blackpool Fire Protection	166,394	137,500
Pritchard Fire Protection	167,489	127,753
Vavenby Fire Protection	156,407	134,836
AWC - Area B	24,914	143,770
AWC - Area J	236,925	205,293
Community Halls - Area B	22,875	17,735
Vavenby Community Hall	5,000	-
Nicola Valley Aquatic Centre	117,214	-
Parks - Area A	185,620	2,599
Parks - Area B	92,946	129,416
Parks - Area E	15,787	15,662
Parks - Area M	89,461	88,756
TNRD Library Service	1,085,574	1,077,012
TV - Area B	2,012	1,996
TV - Areas O & P	6,250	6,200
	<u>4,253,857</u>	<u>4,034,976</u>
Sewer Fund:		
Paul Lake	172,359	171,000
Pritchard	90,743	90,027
	<u>263,102</u>	<u>261,027</u>
Water Fund:		
Black Pines	22,912	22,732
Blue River	16,776	16,644
Del Oro	14,507	14,393
Evergreen	1,008	1,000
Loon Lake	31,304	31,057
Maple Mission	76,436	75,833
Pritchard	38,518	38,213
Savona	147,246	146,084
Spences Bridge	33,450	33,187
Vavenby	1,747	1,236
Walhachin	12,086	11,991
	<u>395,990</u>	<u>392,370</u>
Subtotal	<u><u>4,912,949</u></u>	<u><u>4,688,373</u></u>

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2016

10. Accumulated Surplus (continued):

	2016	2015
Subtotal Continued	\$ 4,912,949	\$ 4,688,373
Perpetual Care Fund:		
Blue River Cemetery	2,441	2,324
Avola Cemetery	306	297
	<u>2,747</u>	<u>2,621</u>
Total capital reserves	\$ 4,915,696	\$ 4,690,994

Interest income and contributions to capital reserves for 2016 were \$481,458 (2015 - \$543,920) and transfers out of reserves were \$256,756 (2015 - \$90,000).

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
2017	\$ 33,899	\$ 142,817	\$ 1,328,253	\$ 1,504,969
2018	29,750	140,176	828,087	998,013
2019	29,750	22,655	600,698	653,103
2020	29,750	-	440,658	470,408
2021	1,500	-	395,586	397,086
	<u>\$ 124,649</u>	<u>\$ 305,648</u>	<u>\$ 3,593,282</u>	<u>\$ 4,023,579</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 2017. The expected annual cost of executing these contracts over the next two years ranges from \$4,300,000 to \$4,500,000.

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2016

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 31, 2015, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 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 is then adjusted to the extent there is amortization of any funding deficit.

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.

The TNRD paid \$710,109 (2015 - \$712,688) for employer contributions to the plan in fiscal 2016.

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, 2016

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, 2016, 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, 2016 are as follows:

	TNRD	Member Municipalities	2016 Totals	2015 Totals
Cash deposits	\$ 28,526	\$ 2,452,982	\$ 2,481,508	\$ 2,177,274
Contingent demand notes	58,014	5,958,337	6,016,351	5,460,482
Debt reserve fund	\$ 86,540	\$ 8,411,319	\$ 8,497,859	\$ 7,637,756

(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 2016	MFA Debt 2015	Payments 2016	Payments 2015
Barriere	\$ -	\$ -	\$ -	\$ 37,953
Chase	2,198,538	2,266,623	145,150	145,150
Clearwater	170,063	208,570	48,751	48,751
Clinton	29,841	32,231	3,894	3,894
Kamloops	120,328,033	95,290,817	11,684,754	11,941,941
Logan Lake	2,324,082	2,540,650	272,463	27,947
Lytton	139,294	155,587	16,273	16,273
Merritt	7,397,667	7,946,775	846,305	863,607
Total	\$132,587,518	\$108,441,253	\$ 13,017,590	\$ 13,085,516

Thompson-Nicola Regional District

Notes to Consolidated Financial Statements

Year ended December 31, 2016

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:

	2016	2015
Transfers recognized in revenue:		
Government transfers:		
UBCM Federal Gas Tax - Community Works Fund	\$ 1,062,466	\$ 1,325,831
Provincial Funding Library Services	388,689	389,095
Building Canada Fund	319,364	56,739
Provincial Funding Basic Grants	149,597	156,061
Canada 150	47,876	-
Provincial Emergency Program	3,860	18,144
UBCM Operational Fuel Management Program	-	25,133
UBCM Federal Gas Tax - Innovations Fund	-	249,774
Other	96,439	29,459
	<u>2,068,291</u>	<u>2,250,236</u>
Grants from sources other than government	86,400	120,830
Total	\$ 2,154,691	\$ 2,371,066

13. 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 (2015 - \$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:

(a) General Government Services

Includes finance, corporate services and legislative functions

(b) Protective Services

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

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2016

14. 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, 2016

14. 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
Debt services	-	-	-	-	-	-		-
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, 2016

14. 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, 2016

14. Segmented information (continued):

	2015							
	General government services	Protective services	Transportation services	Environmental health services	Public health and welfare	Environmental development		Subtotal
Revenue								
Taxation	\$ 3,095,292	\$ 3,030,232	\$ 112,815	\$ 8,693,301	\$ 92,788	\$ 1,541,147		\$ 16,565,575
Grants in lieu	53,697	725	755	1	4	18,306		73,488
User charges	-	440,186	-	2,049,808	-	82,020		2,572,014
Government transfer	902,492	41,727	153	57,002	-	91,619		1,092,993
Investment income	225,985	19,749	-	24,659	-	-		270,393
Gain/loss on disposal of Assets	-	4,850	-	1,000	-	-		5,850
Other revenue	193,145	47,082	-	109,177	1,099	6,593		357,096
	4,470,611	3,584,551	113,723	10,934,948	93,891	1,739,685		20,937,409
Expenses								
Wages, salaries, indemnities and benefits	2,939,709	752,256	1,620	808,162	2,738	927,737		5,432,222
Operating costs	1,595,650	1,005,830	101,609	7,033,349	64,414	466,375		10,267,227
External transfers to others	-	744,867	2,747	-	25,885	149,592		923,091
Amortization	395,603	114,573	-	973,177	-	21,905		1,505,258
	4,930,962	2,617,526	105,976	8,814,688	93,037	1,565,609		18,127,798
Annual surplus (deficit)	\$ (460,351)	\$ 967,025	\$ 7,747	\$ 2,120,260	\$ 854	\$ 174,076		\$ 2,809,611

Thompson-Nicola Regional District

Notes to Consolidated Financial Statements

Year ended December 31, 2016

14. Segmented information (continued):

2015						
	Subtotal	Recreational and cultural services	Waterworks	Sewerage	Utilities	2015
Revenue						
Taxation	\$ 16,565,575	\$ 7,436,052	\$ 222,079	\$ 140,191	\$ 6,248	\$ 24,370,145
Grants in lieu	73,488	103,305	-	16	-	176,809
User charges	2,572,014	-	634,956	179,298	-	3,386,268
Government transfer	1,092,993	595,541	254,819	427,713	-	2,371,066
Investment income	270,393	14,440	3,257	3,258	-	291,348
Gain/loss on disposal of Assets	5,850	-	-	-	-	5,850
Other revenue	357,096	168,631	44,594	100,000	-	670,321
	20,937,409	8,317,969	1,159,705	850,476	6,248	31,271,807
Expenses						
Wages, salaries, indemnities and benefits	5,432,222	4,650,644	-	-	-	10,082,866
Operating costs	10,267,227	1,678,974	389,328	445,571	-	12,781,100
External transfers to others	923,091	787,527	-	-	-	1,710,618
Debt services	-	-	31,205	13,917	2,318	47,440
Amortization	1,505,258	1,100,015	344,319	108,333	-	3,057,925
	18,127,798	8,217,160	764,852	567,821	2,318	27,679,949
Annual surplus (deficit)	\$ 2,809,611	\$ 100,809	\$ 394,853	\$ 282,655	\$ 3,930	\$ 3,591,858

Thompson-Nicola Regional District
Notes to Consolidated Financial Statements

Year ended December 31, 2016

15. Budget information:

The budget data presented in these consolidated financial statements is based upon the 2016 Financial Plan approved by the Board of Directors on March 24, 2016. 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 2016 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	\$ (2,597,191)
Adjust for budgeted cash items, not included in Statement of Operations	
Proceeds on debt issue	(1,341,644)
Transfer from reserves	(313,390)
Acquisition of tangible capital assets	7,254,105
Principal payments	50,893
Transfer from operating surplus	(8,247,155)
Total adjustments	(2,597,191)
Financial Plan Balance	\$ -