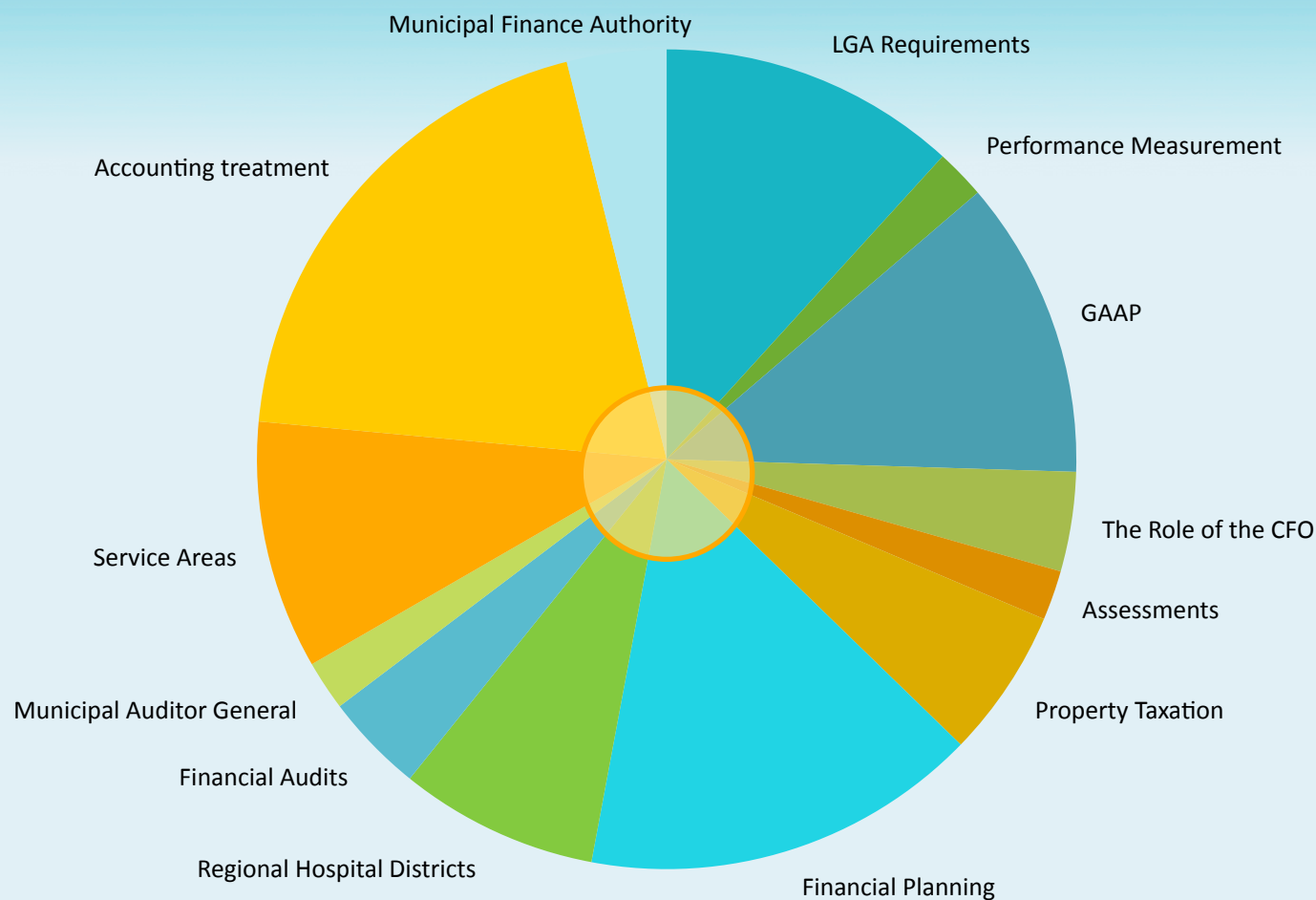


# **Regional District Budgets & Financial Management**

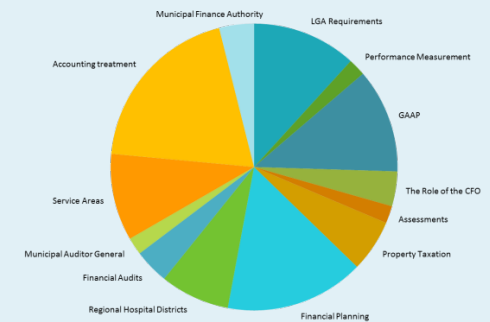
**2012 UBCM Newly Elected Officials Seminar**

Gerry Kingston, Retired Chief Administrative Officer  
George Murray, CGA, Chief Administrative Officer

# Components of Regional District Financial Management



# The Role of the CFO



# Role of the CFO



- Section 199 of the LGA - Financial administration

One of the officer positions established under section 196 must be assigned the responsibility of financial administration, which includes the following powers, duties and functions:

- (a) receiving all money paid to the regional district;
- (b) ensuring the keeping of all funds and securities of the regional district;
- (c) expending and disbursing money in the manner authorized by the board;
- (d) investing funds, until required, in authorized investments;
- (e) ensuring that accurate records and full accounts of the financial affairs of the regional district are prepared, maintained and kept safe;
- (f) exercising control and supervision over all other financial affairs of the regional district.

# Role of the CFO



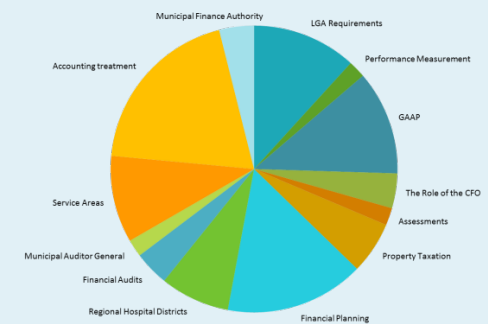
- Compliance to requirements of LGA
- Compliance to Other Acts/Regulations
  - Federal
    - Income Tax Act, Bank Act, Excise Tax Act, etc.
    - Internal Agreement of Trade (GATT/IAT)
  - Provincial
    - WCB, Financial Information Act, Pension Acts, etc.
    - TILMA
- Compliance to Accounting Rules (GAAP)
  - Public Sector Accounting Board (PSAB)
  - **Codes of Ethics for Professional Accountants**

# Role of the CFO



- Manages Organizaton's "Finances"
  - Provides both the "Art" and the "Science" of Financial management
  - Can ensure proper business plans are developed prior to any new services or initiatives being considered
  - Provides a professional opinion regarding RD's Financial circumstances
    - Consult with your CFO on your RD's specific issues/questions

# Local Government Act Requirements



# Local Government Act



## Division 5 – Financial Operations

- 814 General accounting rules
- 814.1 Annual reporting on regional district finances
- 815 Financial plan
- 816 Process requirements for financial plan
- 817 Limit on expenditures
- 818 Limit on borrowing and other liabilities
- 819 Application of *Community Charter* borrowing and liability provisions
- 820 Repealed
- 821 Revenue anticipation borrowing
- 822 Short term capital borrowing
- 823 Regional district loan authorization bylaws
- 823.1 Participating area approval required for some loan authorization bylaws
- 823.11 Electoral participating area petition for borrowing
- 823.2 Temporary borrowing under loan authorization bylaw
- 824 Financing municipal undertakings
- 825 Security issuing bylaws
- 826 General liability provisions
- 827 Repealed
- 828–836 Repealed



# Local Government Act



- **814 General Accounting Rules**
- **(1) The regional district financial officer must keep separate financial records for each service that include full particulars of assets and liabilities, revenues and expenditures, information concerning reserve funds and other pertinent financial details.**
- (2) The fiscal year for a regional district is the calendar year.
- (3) The following provisions of the **Community Charter** apply to regional districts:
  - section 167 [annual financial statements];
  - section 168 [reporting of council remuneration, expenses and contracts];
  - section 183 [investment of municipal funds];
  - Division 2 of Part 6 [Audit];
  - Division 4 of Part 6 [Reserve Funds];
  - Division 5 of Part 6 [Restrictions on Use of Municipal Funds].
- (4) In relation to the application of Division 4 [Reserve Funds] of Part 6 of the **Community Charter**,
- (a) the provisions apply as though each service were the only service provided by the regional district,
- (b) all accounting and other matters relating to a reserve fund must be kept separate for each service, and
- (c) a board may adopt a bylaw under section 189 (3) [reserve fund used in relation to expropriation or damage to property] of the Community Charter in relation to compensation in respect of property expropriated or injured or to carry out works referred to in section 311 [entry on land to mitigate damage] of this Act, but only with the approval of the inspector

# Local Government Act



- Each Service Area is its own “business”
  - FVRD has over 100 Separate reporting entities (Pg 1& 2 of Handout)
    - Regional Services
      - ALL Jurisdictions participate
    - Sub-Regional Services
      - Some Jurisdictions participate
      - Electoral Area Wide Services (Planning, Emergency Management, EA Administration, Library, etc.)
    - Area Specific Services
      - All of One Electoral Area
      - Portions of One Electoral Area

# Local Government Act



- Each Service Area is its own “business”
  - Revenues and Expenses
    - Taxation
      - Requisition Summary (Pg 3-6 of Handout)
    - Fees & Charges
    - Direct & Indirect expenses
    - Maintain own Surplus(s) & Deficits
  - Balance Sheets
    - Assets
    - Liabilities and Long Term Debt
    - Reserves & Surpluses

# Local Government Act



- Other LGA Act Provisions

## **Division 4.2 — Cost Recovery for Services**

- 803 Options for cost recovery
  - 803.1 Costs of services
- 804 Apportionment of costs
  - 804.1 Cost sharing for Part 26 services
  - 804.11 Exclusion of property under creditor protection from apportionment
  - 804.2 Valuation information and apportionment adjustments
  - 804.3 Tax base for property value taxes

# Local Government Act



- **Costs of services**
- **803.1 (1) All costs incurred by a regional district in relation to a service, including costs of administration attributable to the service, are part of the costs of that service.**
- (2) Subject to subsection (3), the amount required by a board
  - (a) for a payment authorized under section 287.2 [indemnification against proceedings],
  - (b) to satisfy a judgment or other order of a court against the regional district, or
  - (c) to satisfy an award or other order of an arbitrator against the regional district
- is deemed to be costs of the service out of which the action arose.
- (3) If the legal action or other proceeding arose from the negligence of the board, the amount is deemed to be costs of the general administration service referred to in section 800 (2) (a).
- (4) If a regional district undertakes a service after conducting a feasibility study in respect of the service, the costs of that study are deemed to be costs of that service.
- (5) If a referendum under section 797.3 [referendums regarding services] is limited to all or part of the service area for an existing service, the costs of the referendum are deemed to be costs of the service.
- (6) For the purposes of apportionment under this Division and requisition under Division 4.3 [Requisition and Tax Collection], the costs of providing a service are deemed to be the costs that are to be recovered by means of property value taxes or parcel taxes.

# Local Government Act



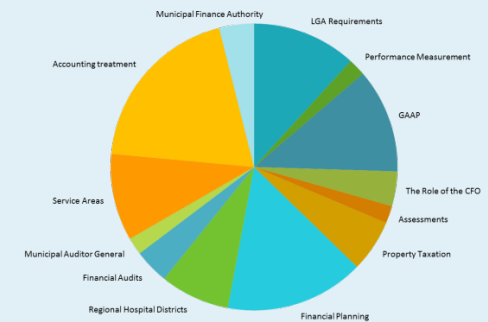
- Other Local Government Act Provisions
  - Establishes Deadlines
  - Taxation rates
    - Note: Grants in aid “capped” at \$0.10/\$1,000 of assessment
  - Tax Rate Multipliers
  - Special rules
    - Assisting private enterprises
    - Apportioning costs

# Local Government Act



- Other Local Government Act Provisions
  - Budgets must be “balanced”
    - Deficits can be incurred
      - Must be recovered the next fiscal year
  - Funds cannot be transferred or loaned between Services
    - Except under very special circumstances
  - Public assent required to
    - Establish new Services
    - Issue Long Term Debt
  - Other . . .

# Generally Accepted Accounting Principles





# GAAP



- GAAP for Public Sector Organizations is called PSAB
  - Requires
    - Accounting for Revenues (earned funds)
      - Use to be the receiving of funds
    - Accounting for Expenses (purchase of a good or service)
      - Use to be Expenditures (paying out of money)
    - Movement towards “private sector” accounting
    - Depreciation of Capital Assets
      - Tangible Capital Assets
      - Non-cash transaction (ie no budgetary affect)

# PSAB



- PSAB is GAAP for Public Sector Organizations
  - Changes occur regularly (feels almost annually)
    - Previous Change
      - Investments
      - TCA
    - Possible Future Changes (2012+)
      - Accounting for Contaminated Sites
      - Accounting for Financial Instruments
  - Dictates
    - The Format of Financial Statements
      - Financial Statements and budgets no longer align due to treatment of surpluses, reserves & Capital purchases
    - The Format of the Audit report

# Accounting Treatment



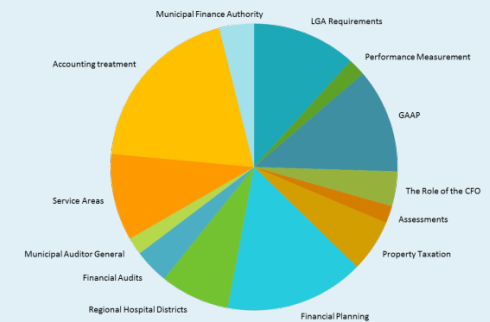
Example of the newest version of the Consolidated "Income Statement"

## Fraser Valley Regional District Consolidated Statement of Financial Activities

Year Ended December 31, 2010

	Budget 2010	Actual 2010	Actual 2009 (restated)
<b>Revenues</b>			
Member requisitions	\$ 12,143,490	\$ 12,143,492	\$ 12,430,456
Government grants	3,741,880	1,817,238	3,370,868
Development levies	475,420	435,204	480,975
Sale of services	1,515,811	1,650,487	1,686,946
Developer contributions	56,744	74,775	113,767
Other	1,326,431	1,318,697	1,384,937
Interest	64,100	111,044	112,862
	<u>19,323,876</u>	<u>17,550,937</u>	<u>19,580,811</u>
<b>Expenses</b>			
General government services	3,809,204	3,004,990	3,582,836
Protective services	4,498,213	3,966,010	3,724,681
Transportation services	238,708	219,717	223,572
Environmental health services	1,987,319	1,637,181	1,866,438
Environmental development services	1,515,920	1,317,148	1,322,410
Recreation and cultural services	3,737,405	3,123,090	2,640,006
Utilities services	637,493	712,174	513,848
	<u>16,424,262</u>	<u>13,980,310</u>	<u>13,873,791</u>
<b>Annual Surplus Before Amortization</b>	<u>2,899,614</u>	<u>3,570,627</u>	<u>5,707,020</u>
<b>Amortization and Other</b>			
Amortization	-	1,262,029	1,305,428
<b>Annual Surplus</b>	<u>2,899,614</u>	<u>2,308,598</u>	<u>4,401,592</u>
<b>Accumulated Surplus, Beginning of Year</b>	<u>35,777,932</u>	<u>35,777,932</u>	<u>31,376,340</u>
<b>Accumulated Surplus, End of Year</b>	<u>\$ 38,677,546</u>	<u>\$ 38,086,530</u>	<u>\$ 35,777,932</u>

# Accounting Treatment



# Accounting Treatment



- Cost Accounting
  - Municipalities use a “direct” cost accounting model
  - Regional Districts use a “full” cost accounting model
    - Each Service Area pays for all direct and “in-direct” costs for that Service
    - Central services
      - Charged out through a “Overhead” or “Administration” Fee/Recovery
      - Each RD may charge Overhead out as recommended by the CFO and approved by the Board
        - » Based on GAAP and LGA

# Accounting Treatment



- Staffing Allocation Model
  - Staff are allocated to the Services that they work on (based on annual estimates and/or workorder system)

## General Manager of Regional & Corporate Services

– Legislative Services	35%
– Overhead	20%
– Solid Waste Management	5%
– Noxious Weeds	2.5%
– E911/Fire Dispatch	5%
– Regional Planning	10%
– Air Quality	5%
– Regional Parks	5%
– Mosquito Control	2.5%
– Hope Recreation	5%
– Treaty Advisory Committee	5%

# Accounting Treatment



- Boston Bar/North Bend Fire Protection
  - Direct Costs
    - Wages & Benefits
      - As per allocation model
    - Service & Supplies
      - Travel, Telephone, & Training & Education
      - Supplies & Consumable Tools
    - Vehicles, Buildings & Equipment Maintenance
      - Vehicle insurance, maintenance & fuel
      - Equipment Maintenance
      - Hydro/Gas Costs

# Accounting Treatment



- Boston Bar/North Bend Fire Protection
  - Indirect Costs
    - Overhead
      - Payroll & Human Resources
      - Finance & Administration
      - Insurance – Liability & Property
      - Pool Vehicles
      - Central Office (Building) Costs
      - Information Technology, Photocopiers, & Supplies
        - » Based on unique formula
          - Percentage allocation
          - Specific allocation methodology
    - GIS Services
      - » Based on workorder system



# Accounting Treatment



- Boston Bar/North Bend Fire Protection
  - Non Financial Accounting transactions
    - Capital purchases
      - Exchanging one asset (cash) for a tangible asset (Buildings, vehicles, etc.)
    - Capital repayments
      - Principal portion
        - » Interest on debt is an expense
    - Contributions to/from Surplus
    - Contribution to/from Reserves Funds