

**Regional District of
East Kootenay**
Financial Statements
For the year ended December 31, 2020

Contents

| | |
|--|---------|
| Management's Responsibility for Financial Reporting | 2 |
| Independent Auditor's Report | 3 - 4 |
| Financial Statements | |
| Statement of Financial Position | 5 |
| Statement of Operations | 6 |
| Statement of Change in Net Financial Assets | 7 |
| Statement of Cash Flows | 8 |
| Summary of Significant Accounting Policies | 9 - 10 |
| Notes to Financial Statements | 11 - 21 |
| Schedule 1 - Segmented Information | 22 - 23 |
| Schedule 2 - Covid-19 Restart Grants (unaudited) | 24 |

Managements' Responsibility for Financial Reporting

To Directors of the Board:

In accordance with Section 814 of the Local Government Act and Section 167 of the Community Charter, I am pleased to submit the 2020 financial statements for the Kootenay East Regional Hospital District, together with the report of our auditors, BDO Canada LLP.

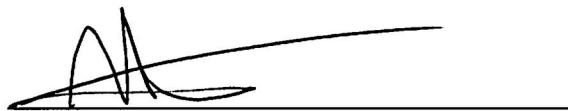
The preparation of the financial statements and schedules is the responsibility of the Hospital District's management. The statements have been prepared in accordance with Canadian generally accepted accounting principles for governments. These principles are based upon recommendations of the Public Sector Accounting Board ("PSAB") of CPA Canada.

Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly in all material respects.

The Hospital District maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Hospital District's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The financial statements have been audited by BDO Canada LLP Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the ratepayers. The auditor's report expresses their opinion on these financial statements. The auditors have full and free access to the accounting records.



Holly Ronnquist, CPA, CMA
Chief Financial Officer

May 14, 2021

Independent Auditor's Report

**To the Chairman and Directors of
the Board of the Regional District of East Kootenay**

Opinion

We have audited the accompanying financial statements of the Regional District of East Kootenay, which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional District of East Kootenay as at December 31, 2020 and its financial performance, cash flows and changes in net financial assets 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the District 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.

Other Matter

We draw attention to the fact that the supplementary information in Schedule II does not form part of the audited financial statements. We have not audited or reviewed this supplementary information and, accordingly, we do not express any opinion, review conclusion or any form of assurance on this supplementary information.

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

Management is responsible for the preparation and fair presentation of these 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 District'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 District or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 these financial statements.

Independent Auditor's Report (Continued)

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 District'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 District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the District 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.

We 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.



Chartered Professional Accountants

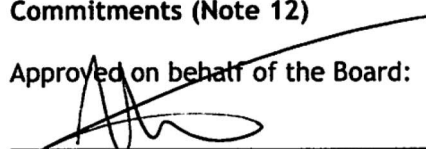
Cranbrook, British Columbia
May 14, 2021

Regional District of East Kootenay Statement of Financial Position

| December 31 | 2020 | 2019 |
|--|-------------------|-------------------|
| Financial Assets | | |
| Cash and funds on deposit (Note 1) | \$ 34,846,351 | \$ 33,036,039 |
| Accounts receivable (Note 2) | 8,576,175 | 7,593,327 |
| Deposit - Municipal Finance Authority (Note 3) | 3,625,105 | 3,488,450 |
| Agreements due from members (Note 4) | 50,707,151 | 48,170,165 |
| | <u>97,754,782</u> | <u>92,287,981</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 2,568,795 | 3,661,845 |
| Reserve - Municipal Finance Authority (Note 3) | 3,625,105 | 3,488,450 |
| Deferred revenue (Note 5) | 1,277,223 | 919,367 |
| Short-term borrowing | 1,000,000 | 1,000,000 |
| Landfill closure accrual (Note 6) | 14,375,458 | 14,242,457 |
| Long-term debt (Note 7) | 63,981,867 | 60,142,308 |
| | <u>86,828,448</u> | <u>83,454,427</u> |
| Net Financial Assets | 10,926,334 | 8,833,554 |
| Non-Financial Assets | | |
| Prepaid expenses | 21,358 | 57,829 |
| Tangible capital assets (Note 9) | 61,461,788 | 55,456,894 |
| Accumulated Surplus | \$ 72,409,480 | \$ 64,348,277 |

Commitments (Note 12)

Approved on behalf of the Board:



Holly Ronnquist, CPA, CMA, Chief Financial Officer

Regional District of East Kootenay Statement of Operations

| For the year ended December 31 | 2020 | 2020 | 2019 |
|--|----------------------|----------------------|----------------------|
| | Budget (Note 16) | Actual | Actual |
| Revenue | | | |
| Tax requisitions | \$ 19,181,279 | \$ 19,180,862 | \$ 18,280,711 |
| Members' requisitions for debt services | 4,554,291 | 4,497,877 | 4,540,372 |
| Parcel taxes | 1,422,065 | 1,423,274 | 1,419,913 |
| Grants in lieu of taxes | 819,427 | 813,446 | 909,851 |
| Provincial government grants | 5,720,620 | 4,236,645 | 2,584,432 |
| Local government grants and regional transfers | 2,895,315 | 1,922,211 | 2,469,364 |
| Water and sewer fees | 1,548,735 | 1,522,261 | 1,417,083 |
| Other sale of services and fees | 2,172,391 | 3,291,149 | 3,623,989 |
| Interest earned | 379,250 | 379,161 | 703,684 |
| Other revenue | 598,177 | 326,008 | 222,196 |
| Actuarial adjustments | - | 249,607 | 221,856 |
| | <u>39,291,550</u> | <u>37,842,501</u> | <u>36,393,451</u> |
| Expenses (Note 14) | | | |
| General administration | 5,700,658 | 3,983,255 | 4,255,322 |
| Protective services | 6,558,603 | 5,911,115 | 6,125,320 |
| Solid waste and recycling services | 9,005,824 | 8,509,431 | 7,919,749 |
| Health, social, housing & other services | 293,804 | 267,443 | 244,664 |
| Development and transportation services | 2,795,511 | 1,772,222 | 1,689,794 |
| Parks, recreation and cultural services | 2,573,898 | 2,366,606 | 2,257,944 |
| Sewer services | 591,023 | 527,332 | 512,388 |
| Water services | 1,906,779 | 1,946,017 | 1,879,977 |
| Fiscal services for member municipalities | 4,554,291 | 4,497,877 | 4,540,372 |
| | <u>33,980,391</u> | <u>29,781,298</u> | <u>29,425,530</u> |
| Annual surplus | <u>5,311,159</u> | <u>8,061,203</u> | <u>6,967,921</u> |
| Accumulated surplus, beginning of year | <u>64,348,277</u> | <u>64,348,277</u> | <u>57,380,356</u> |
| Accumulated surplus, end of year | <u>\$ 69,659,436</u> | <u>\$ 72,409,480</u> | <u>\$ 64,348,277</u> |

Regional District of East Kootenay

Statement of Change in Net Financial Assets

| For the year ended December 31 | <i>Budget</i> 2020 | 2020 | 2019 |
|---|-----------------------|---------------|--------------|
| Annual surplus | \$ 5,311,159 | \$ 8,061,203 | \$ 6,967,921 |
| Acquisition of tangible capital assets | (12,126,248) | (7,539,380) | (2,528,975) |
| Amortization of tangible capital assets | - | 1,534,486 | 1,449,992 |
| Proceeds on sale of tangible capital assets | - | - | 15,495 |
| Acquisition of prepaid expenses | - | 36,471 | (38,843) |
| Net change in net financial assets | (6,815,089) | 2,092,780 | 5,865,590 |
| Net financial assets, beginning of year | 8,833,554 | 8,833,554 | 2,967,964 |
| Net financial assets, end of year | \$ 2,018,465 | \$ 10,926,334 | \$ 8,833,554 |

Regional District of East Kootenay Statement of Cash Flows

| For the year ended December 31 | 2020 | 2019 |
|--|----------------------|----------------------|
| Operating activities | | |
| Cash receipts from taxation and member municipality requisitions | \$ 25,102,013 | \$ 24,240,996 |
| Cash receipts from grants, other government transfers | 6,176,370 | 6,980,415 |
| Cash receipts from sale of services, fees and own sources | 4,558,595 | 7,219,194 |
| Cash paid to employees and suppliers | (23,354,578) | (23,738,637) |
| Interest paid | (566,172) | (586,431) |
| Interest received | 379,161 | 703,683 |
| Fiscal services for member municipalities | (4,497,877) | (4,540,372) |
| | <u>7,797,512</u> | <u>10,278,848</u> |
| Capital activities | | |
| Purchase of tangible capital assets | (7,539,380) | (2,528,975) |
| Proceeds from sale of tangible capital assets and restructuring | - | 15,495 |
| | <u>(7,539,380)</u> | <u>(2,513,480)</u> |
| Financing activities | | |
| Issuance (repayment) of long-term debt | 1,552,180 | 2,554,535 |
| Issuance (repayment) of short-term debt | - | (4,500,000) |
| | <u>1,552,180</u> | <u>(1,945,465)</u> |
| Increase in cash during year | 1,810,312 | 5,819,903 |
| Cash, beginning of year | 33,036,039 | 27,216,136 |
| Cash, end of year | \$ 34,846,351 | \$ 33,036,039 |

Regional District of East Kootenay Summary of Significant Accounting Policies

December 31, 2020

Basis of Presentation The financial statements of the Regional District are the representations of management and are prepared in accordance with Canadian generally accepted accounting policies for government entities using guidelines issued by the Public Sector Accounting Board ("PSAB") of CPA Canada.

Basis of Accounting The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

Tangible Capital Assets Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

| | |
|----------------------|---------------|
| Land | not amortized |
| Land improvements | 50 years |
| Buildings | 40 years |
| Vehicles | 5 to 25 years |
| Equipment | 4 to 25 years |
| Water infrastructure | 80 years |
| Sewer infrastructure | 80 years |

Solid Waste Landfills The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

Trust Funds Funds held in trust by the Regional District of East Kootenay are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

Regional District of East Kootenay Summary of Significant Accounting Policies

December 31, 2020

Revenue Recognition Unrestricted grants and contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted grants, contributions and government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized as revenue as the stipulation liabilities are settled.

Financial Instruments The Regional District carries several financial instruments. Unless otherwise noted, it is management's opinion that the Regional District is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted.

Contaminated Sites Effective January 1, 2015 the Regional District adopted the new Public Sector Accounting Standard PS3260 Contaminated Sites. The new standard can be applied retroactively or prospectively, and the Regional District has elected to apply it prospectively.

Under PS3260 governments are required to accrue a liability for the costs to remediate a contaminated site. Liabilities are recognized when an environmental standard exists, contamination exceeds the standard, the government has responsibility for remediation, future economic benefits will be given up and a reasonable estimate can be made.

Management has assessed its potential liabilities under the new standard including sites that are no longer in productive use and sites which the Regional District accepts responsibility. There were no such sites that had contamination in excess of an environmental standard which required remediation at this time, therefore no liability was recognized as at December 31, 2020.

Budget Figures The budget figures presented for comparative purposes are from the Five Year Financial Plan Bylaw as adopted each year. Subsequent amendments have been made by the Regional District Board to reflect changes in the budget as required by law.

Use of Estimates The financial statements of the Regional District have been prepared in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Regional District of East Kootenay Notes to Financial Statements

December 31, 2020

1. Cash and Funds on Deposit

Included in cash and funds on deposit is \$27,796,148 (2019 - \$24,962,704) which has been specifically set aside with the Municipal Finance Authority for internally and externally restricted reserves.

2. Accounts Receivable

| | 2020 | 2019 |
|-----------------------|---------------------|---------------------|
| Provincial government | 2,523,407 | 1,996,604 |
| Federal government | 564,294 | 233,515 |
| Other | 5,488,474 | 5,363,208 |
| | <u>\$ 8,576,175</u> | <u>\$ 7,593,327</u> |

Allowances for doubtful accounts are recorded where collectability is considered doubtful.

3. Reserve - Municipal Finance Authority

The Regional District issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld by the Municipal Finance Authority as a debt reserve fund. The Regional District also executes demand notes in connection with each debenture whereby the Regional District may be required to loan certain amounts to the Municipal Finance Authority. The details of the cash deposits and demand notes at year end are as follows:

| | Demand Notes | Cash Deposits | 2020 | 2019 |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Regional District | \$ 487,483 | \$ 263,747 | \$ 751,230 | \$ 705,194 |
| Member Municipalities | 1,936,422 | 937,453 | 2,873,875 | 2,783,256 |
| | <u>\$ 2,423,905</u> | <u>\$ 1,201,200</u> | <u>\$ 3,625,105</u> | <u>\$ 3,488,450</u> |

Regional District of East Kootenay Notes to Financial Statements

December 31, 2020

4. Agreements Due From Members

Agreements due from members become receivable on the same terms as payable to the Municipal Finance Authority. The Regional District borrows funds upon its credit at large and shall, in the event of default, constitute an indebtedness of the member municipalities for which they are jointly and severally liable.

| | 2020 | 2019 |
|-------------------------------|----------------------|----------------------|
| City of Cranbrook | \$ 16,261,253 | \$ 18,083,475 |
| City of Fernie | 2,553,107 | 2,686,650 |
| City of Kimberley | 6,950,232 | 7,474,523 |
| District of Elkford | 10,155,865 | 4,425,569 |
| District of Invermere | 5,517,472 | 5,882,535 |
| District of Sparwood | 4,051,732 | 4,203,646 |
| Village of Canal Flats | 2,061,080 | 2,112,207 |
| Village of Radium Hot Springs | 3,156,410 | 3,301,560 |
| | <u>\$ 50,707,151</u> | <u>\$ 48,170,165</u> |

5. Deferred Revenue

| | 2020 | 2019 |
|---|---------------------|-------------------|
| BC Investment Agricultural Foundation | \$ 381,869 | \$ 331,869 |
| Koocanusa Community Land Recreation Project | 291,938 | 178,646 |
| Cold Stream | 271,837 | - |
| Lake Baptiste | 92,093 | - |
| Regional Agricultural Liaison | 90,000 | 90,000 |
| Fairmont Flood Mitigation | 51,514 | 63,739 |
| Columbia Valley Economic Development | 14,058 | 65,000 |
| Other | 83,914 | 92,113 |
| Community Support | - | 75,000 |
| Invasive Plant | - | 23,000 |
| | <u>\$ 1,277,223</u> | <u>\$ 919,367</u> |

Deferred capital, infrastructure and operating grants are comprised of amounts received under funding agreements that relate to work to be performed in a subsequent period and are to be recognized as revenue in the period in which the resources are used for the purpose specified.

Regional District of East Kootenay

Notes to Financial Statements

December 31, 2020

6. Landfill Closure and Post-Closure Care

The British Columbia Environmental and Enhancement Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

The Regional District has three landfill locations with a total estimated capacity of 5,961,252 cubic meters of which the remaining capacity for future use is estimated at 3,458,119 cubic meters (2019 - 3,537,213). The remaining estimated life of the respective landfills varies from 37 years to 55 years. Closure will involve covering the site with topsoil and vegetation, drainage control, and installing groundwater monitoring wells. Post-closure care activities for the landfill are expected to occur for 25 years and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and landfill cover maintenance. The estimated liability and expenditures are recognized as the landfill sites capacity is used. The total closure and post-closure liability as at year-end is estimated at \$14,375,458 (2019 - \$14,242,457). This amount, largely based on engineering studies completed in 2013, represents the sum of the discounted future cash flows for closure and post closure activities discounted at the Regional District's current long-term borrowing rate.

The Regional District has established reserves to accumulate sufficient funds through annual budget allocations to satisfy these obligations in the future.

Regional District of East Kootenay Notes to Financial Statements

December 31, 2020

7. Long-term Debt

The Regional District issues debt instruments through the Municipal Finance Authority, pursuant to security issuing bylaws under the authority of revised section 179 of the Community Charter and sections 406 to 410 of the Local Government Act, to finance certain capital expenditures. Debenture debt principal is disclosed net of sinking fund balances managed by the Municipal Finance Authority.

| | 2020 | 2019 |
|-----------------------|----------------------|----------------------|
| General | \$ 5,545,563 | \$ 6,638,821 |
| Water utilities | 4,388,702 | 1,552,661 |
| Sewer utilities | 3,340,451 | 3,780,661 |
| | <u>13,274,716</u> | <u>11,972,143</u> |
| Member municipalities | 50,707,151 | 48,170,165 |
| | <u>\$ 63,981,867</u> | <u>\$ 60,142,308</u> |

The rates of interest payable on the principal amount of the debentures vary between 0.91% and 4.20% per annum.

Future minimum principal payments required on existing long-term debt for the next five years and thereafter including actuarial adjustments are due as follows:

| | |
|--------------------------|----------------------|
| 2021 | \$ 3,427,454 |
| 2022 | 3,251,937 |
| 2023 | 3,084,401 |
| 2024 | 2,883,035 |
| 2025 | 2,711,334 |
| Thereafter and actuarial | <u>48,623,706</u> |
| | <u>\$ 63,981,867</u> |

8. Related Parties

The Regional District of East Kootenay is related to the Kootenay East Regional Hospital District by way of common members on the Board of Directors.

The amount due to the Kootenay East Regional Hospital District as at December 31, 2020 is \$240,581 (2019 - \$nil).

Regional District of East Kootenay
Notes to Financial Statements

December 31, 2020

9. Tangible Capital Assets

| | 2020 | | | | | | |
|---|--------------|-------------------|---------------|--------------|--------------|---------------|----------------------|
| | Land | Land Improvements | Buildings | Vehicles | Equipment | Water | Sewer |
| | | | | | | | Total |
| Cost, beginning of year | \$ 6,840,820 | \$ 5,291,909 | \$ 21,096,214 | \$ 8,637,780 | \$ 5,750,934 | \$ 25,712,131 | \$ 4,417,501 |
| Additions | | 2,308,677 | 109,679 | 609,763 | 336,557 | 4,174,704 | - |
| Cost, end of year | 6,840,820 | 7,600,586 | 21,205,893 | 9,247,543 | 6,087,491 | 29,886,835 | 4,417,501 |
| Accumulated amortization, beginning of year | - | 391,974 | 8,324,012 | 5,460,884 | 3,522,020 | 3,814,552 | 776,953 |
| Amortization | - | 86,755 | 460,039 | 340,268 | 263,005 | 329,340 | 55,079 |
| Accumulated amortization, end of year | - | 478,729 | 8,784,051 | 5,801,152 | 3,785,025 | 4,143,892 | 832,032 |
| Net carrying amount, end of year | \$ 6,840,820 | \$ 7,121,857 | \$ 12,421,842 | \$ 3,446,391 | \$ 2,302,466 | \$ 25,742,943 | \$ 3,585,469 |
| | | | | | | | \$ 61,461,788 |

Regional District of East Kootenay
Notes to Financial Statements

December 31, 2020

9. Tangible Capital Assets (continued)

| | Land | | | | | | | | | | 2019 | | | | | |
|---|------|--------------|-----------|-----------|-----------|------------|-------|-----------|----|-----------|------|------------|----|-----------|----|------------|
| | Land | Improvements | Buildings | Vehicle | Equipment | Water | Sewer | Total | | | | | | | | |
| Cost, beginning of year | \$ | 6,504,094 | \$ | 5,113,868 | \$ | 20,359,402 | \$ | 8,345,066 | \$ | 5,142,423 | \$ | 25,351,455 | \$ | 4,417,501 | \$ | 75,233,809 |
| Additions | | 336,726 | | 178,041 | | 736,812 | | 308,210 | | 608,511 | | 360,676 | | - | | 2,528,976 |
| Disposals | | - | | - | | - | | (15,496) | | - | | - | | - | | (15,496) |
| Cost, end of year | | 6,840,820 | | 5,291,909 | | 21,096,214 | | 8,637,780 | | 5,750,934 | | 25,712,131 | | 4,417,501 | | 77,747,289 |
| Accumulated amortization, beginning of year | | - | | 308,137 | | 7,880,157 | | 5,133,696 | | 3,303,586 | | 3,492,954 | | 721,874 | | 20,840,404 |
| Amortization | | | | 83,837 | | 443,855 | | 327,188 | | 218,434 | | 321,598 | | 55,079 | | 1,449,991 |
| Accumulated amortization, end of year | | - | | 391,974 | | 8,324,012 | | 5,460,884 | | 3,522,020 | | 3,814,552 | | 776,953 | | 22,290,395 |
| Net carrying amount, end of year | \$ | 6,840,820 | \$ | 4,899,935 | \$ | 12,772,202 | \$ | 3,176,896 | \$ | 2,228,914 | \$ | 21,897,579 | \$ | 3,640,548 | \$ | 55,456,894 |

Regional District of East Kootenay

Notes to Financial Statements

December 31, 2020

10. Credit Facility

The Regional District has a credit facility agreement with a financial institution which provides for a total commitment of \$5,000,000. At December 31, 2020, the Regional District had drawn an amount of \$Nil (2019 - \$Nil) on this agreement.

11. Trust Funds

The Regional District is holding funds for various organizations. The assets and offsetting liabilities are not reflected in the Regional District consolidated financial statements. Trust fund balances held for the various organizations are as follows:

| | 2020 | 2019 |
|-------------------------|-------------------|-------------------|
| Columbia Basin Trust | \$ 283,641 | \$ 141,707 |
| Treaty Advisory Council | 14,210 | 5,061 |
| | <u>\$ 297,851</u> | <u>\$ 146,768</u> |

12. Commitments

- (a) The Regional District participates in the Municipal Insurance Association of British Columbia pooled insurance plan. Under the terms of participation, the Regional District could become liable for its proportional share of any claim losses in excess of funds held by the Association. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.
- (b) The Ministry of Environment has imposed strict guidelines on the Regional District for the submission of Regional Solid Waste Management Plans. If the Ministry of Environment determines that these plans are not satisfactory, penalties of up to \$300,000 may be assessed.
- (c) The Regional District has entered into a ten year contract for Fire Protection in the rural area around Cranbrook. The Regional District commits a flat fee for operating and capital costs of \$841,129 in 2020 and increasing by 3.75% each year after. The contract is up for renewal in 2027.

Regional District of East Kootenay

Notes to Financial Statements

December 31, 2020

13. Pension Liability

The Regional District of East Kootenay and its employees contribute to the Municipal Pension Plan (a jointly trusted 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 provided are based on a formula. As at December 31, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 contributors from local governments.

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 actuarial valuation as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Regional District of East Kootenay paid \$419,924 (2019 - \$373,403) for employer contributions to the Plan in fiscal 2020.

The next valuation will be as at December 31, 2021, with results available in 2022.

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 individual employers participating in the plan.

Regional District of East Kootenay Notes to Financial Statements

December 31, 2020

14. Expenses by Object

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Amortization | \$ 1,534,486 | \$ 1,449,992 |
| Bank charges and short-term interest | 31,312 | 95,628 |
| Consulting and professional fees | 995,853 | 1,208,184 |
| Contract and other services | 7,111,406 | 6,603,390 |
| Fiscal services for member municipalities | 4,497,877 | 4,540,372 |
| General administration, office, and supplies | 1,444,677 | 1,409,563 |
| Grants and transfers to other governments | 2,421,951 | 2,522,535 |
| Insurance | 165,689 | 150,778 |
| Interest on long-term debt | 534,860 | 490,803 |
| Landfill closure and post-closure (recovery) | 169,001 | 4,266 |
| Maintenance | 2,072,060 | 2,031,396 |
| Telephone and utilities | 643,362 | 734,130 |
| Travel, training, and conferences | 143,560 | 304,253 |
| Vehicle and trucking expense | 1,238,570 | 1,233,382 |
| Wages, salaries and benefits | 6,589,639 | 6,475,091 |
| Water and sewer connection fees | 186,995 | 171,767 |
| | <u>\$ 29,781,298</u> | <u>\$ 29,425,530</u> |

Regional District of East Kootenay Notes to Financial Statements

December 31, 2020

15. Segmented Reporting (Schedule 1)

The Regional District provides a wide range of services to its citizens, and these services are accounted for within three funds: General, Water and Sewer. For the purposes of this segmented reporting, the General Fund is further broken down into the following categories: General Administration, Protective Services, Solid Waste and Recycling Services, Transportation Services, Development Services, and Parks, Recreation and Cultural Services. These service components have been separately disclosed in the segmented information that is presented on Schedule 1.

General Administration includes the activities of the Board, the overall administration of the Regional District, and the financial management of the Regional District. Administration and Finance employees also provide support services for the other departments.

Protective Services is comprised of Fire Protection, Emergency Programs, Building Inspection, Bylaw Enforcement, and Animal Control. Fire Protection provides fire prevention, suppression and investigation services for certain service areas within the Regional District. The Emergency Program functions coordinate the Regional District's involvement with Emergency Management as legislated by the Province.

Solid Waste and Recycling Services consist of the collection and disposal of solid waste and the recycling program.

Transportation Services include transit systems and the Elk Valley Regional Airport, as well as street lighting in certain areas.

Development and Other Services include land use planning and zoning, weed control and animal/insect control.

Parks, Recreation and Cultural Services include the operation and maintenance of parks and grants for operation of arenas, community halls and libraries.

For each reported segment, the expenses are allocated based on the expenditures by object as found in Note 14 of these financial statements. The largest source of Regional District revenue is property taxation, collected through requisitions from the Province of British Columbia and member municipalities. All revenues are directly attributable to certain functions and are allocated in this manner.

Regional District of East Kootenay

Notes to Financial Statements

December 31, 2020

16. Budget

The Financial Plan Bylaw adopted by the Board on March 6, 2020 was prepared on a different basis than that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require reporting on a full accrual basis. The budget figures used do not include amortization expense. The budget figures presented in the Statement of Operations and Statement of Change in Net Debt represent the Financial Plan adopted by the Board on March 6, 2020.

17. Global Pandemic

As the impacts of COVID-19 continue, there could be further impact on the Regional District, its citizens, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the Regional District's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the District is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The Regional District's ability to continue delivering non-essential services and employ related staff, will depend on the legislative mandates from the various levels of government. The District will continue to focus on collecting receivables, managing expenditures, and leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its citizens.

Regional District of East Kootenay Schedule 1 - Segmented Information

December 31, 2020

For the year ended

| | General Administration | Protective Services | Solid Waste and Recycling Services | Health, Social, Housing & Other Services | Development and Transportation Services | Parks, Recreation and Cultural Services | Sewer Services | Water Services | Total |
|---|---------------------------|------------------------|--|--|--|--|----------------|----------------|------------|
| Revenue | | | | | | | | | |
| Tax requisitions | \$ 2,063,681 | \$ 5,044,508 | \$ 2,353,777 | \$ 65,058 | \$ 763,562 | \$ 8,890,276 | \$ - | \$ - | 19,180,862 |
| Members' requisitions for debt services | 4,497,877 | - | - | - | - | - | - | - | 4,497,877 |
| Parcel taxes | - | 376,709 | - | 29,337 | - | - | - | - | 421,000 |
| Grants in lieu of taxes | 627,546 | 26,021 | 9,723 | 83 | 94,362 | 34,709 | - | 596,228 | 1,423,274 |
| Provincial government grants | 966,465 | 164,089 | 6,666 | 42,631 | 802 | 1,000,000 | - | 2,055,992 | 813,446 |
| Local government grants and regional transfers | 388,570 | 407,621 | 459,881 | 4,343 | 67,513 | 594,282 | - | - | 4,236,645 |
| Water and sewer fees | - | - | - | - | - | - | 173,474 | 1,348,787 | 1,922,211 |
| Other sale of services and fees | 121,680 | 666,567 | 1,999,339 | 189,877 | 86,746 | 143,374 | - | 83,566 | 1,522,261 |
| Interest earned | 335,340 | 15,021 | 13,390 | 7,235 | - | 1,573 | 1,890 | 4,712 | 3,291,149 |
| Other revenue | 132,287 | 104,663 | 19,558 | - | 21,856 | 27,388 | - | 20,256 | 379,161 |
| Actuarial adjustments | 249,607 | - | - | - | - | - | - | - | 326,008 |
| | 9,383,053 | 6,805,200 | 4,862,334 | 331,329 | 1,042,076 | 10,691,603 | 596,364 | 4,130,542 | 249,607 |
| | | | | | | | | | 37,842,501 |
| Local government grants and regional transfers | | | | | | | | | |
| Expenses | | | | | | | | | |
| Amortization | \$ 278,737 | \$ 576,288 | \$ 211,042 | \$ 1,096 | \$ 2,902 | \$ 83,216 | \$ 55,079 | \$ 326,125 | 1,534,486 |
| Bank charges and short-term interest | 3,346 | 689 | 11,214 | - | - | 835 | - | 15,228 | 31,312 |
| Consulting and professional fees | 160,413 | 138,921 | 104,174 | 65,710 | 469,547 | 29,734 | 2,015 | 25,839 | 995,853 |
| Contract and other services | 129,835 | 1,752,644 | 5,228,928 | - | - | - | - | - | 7,111,406 |
| Fiscal services for member municipalities | 4,497,877 | - | - | - | - | - | - | - | 4,497,877 |
| General administration, office, and supplies | 287,435 | 319,764 | 159,294 | 4,437 | 412,658 | 107,301 | 18,284 | 135,504 | 1,444,676 |
| Grants and transfers to other governments | 786,325 | 297,922 | 100,000 | 3,769 | 135,000 | 1,098,935 | - | - | 2,421,951 |
| Insurance | 13,665 | 59,219 | 25,153 | 4,253 | 6,290 | 30,218 | 3,149 | 23,742 | 165,689 |
| Interest on long-term debt | - | 163,745 | 51,750 | 64,237 | - | - | 105,000 | 150,129 | 534,860 |
| Landfill closure and post-closure | - | - | 169,001 | - | - | - | - | - | 169,001 |
| Maintenance | 127,376 | 315,617 | 891,632 | 86,617 | - | 241,979 | 219,568 | 189,271 | 2,072,060 |
| Telephone and utilities | 102,364 | 149,727 | 36,787 | 963 | 55,641 | 131,435 | 27,526 | 138,919 | 643,362 |
| Travel, training, and conferences | 71,751 | 52,257 | 7,528 | 231 | 4,889 | 4,119 | (80) | 2,864 | 143,560 |
| Vehicle and trucking expense | 4,821 | 143,684 | 1,007,335 | 473 | 3,644 | 33,475 | 5,197 | 39,941 | 1,238,570 |
| Wages, salaries and benefits | 2,017,187 | 1,940,637 | 505,594 | 36,158 | 681,651 | 605,360 | 91,594 | 711,459 | 6,589,639 |
| Water and sewer connection fees | - | - | - | - | - | - | - | 186,995 | 186,995 |
| | 8,481,132 | 5,911,115 | 8,509,431 | 267,443 | 1,772,222 | 2,366,606 | 527,332 | 1,946,017 | 29,781,298 |
| Annual surplus (deficit) | \$ 901,922 | \$ 894,085 | \$ (3,647,098) | \$ 63,886 | \$ (730,146) | \$ 8,324,997 | \$ 69,032 | \$ 2,184,525 | 8,061,203 |

Regional District of East Kootenay Schedule 1 - Segmented Information

For the year ended

December 31, 2019

| | General Administration | Protective Services | Solid Waste and Recycling Services | Health, Social, Housing & Other Services | Development and Transportation Services | Parks, Recreation and Cultural Services | Sewer Services | Water Services | Total |
|--|---------------------------|------------------------|--|--|--|--|----------------|----------------|---------------|
| Revenue | | | | | | | | | |
| Tax requisitions | \$ 2,857,406 | \$ 5,426,645 | \$ 6,530,929 | \$ 121,009 | \$ 1,353,814 | \$ 1,990,908 | \$ - | \$ - | \$ 18,280,711 |
| Members' requisitions for debt services | 4,540,372 | - | - | - | - | - | - | - | 4,540,372 |
| Parcel taxes | - | 375,511 | - | 29,337 | 3,337 | - | 415,500 | 596,228 | 1,419,913 |
| Grants in lieu of taxes | 620,566 | 26,678 | 13,719 | 1,376 | 215,656 | 31,856 | - | - | 909,851 |
| Provincial government grants | 373,017 | 115,250 | - | 56,090 | 1,031 | 4,500 | - | 2,034,544 | 2,584,432 |
| Local government grants and regional transfers | 1,481,574 | 381,289 | 89,175 | 9,204 | 53,403 | 441,969 | 12,750 | - | 2,469,364 |
| Water and sewer fees | - | - | - | - | - | - | 159,158 | 1,257,925 | 1,417,083 |
| Other sale of services and fees | 150,479 | 605,844 | 2,284,856 | 186,375 | 90,255 | 236,622 | - | 69,558 | 3,623,989 |
| Interest earned | 629,684 | 25,000 | 27,000 | - | 6,000 | 5,000 | 2,000 | 9,000 | 703,684 |
| Other revenue | 45,044 | 42,902 | 20,150 | 70 | 41,453 | 46,363 | - | 26,214 | 222,196 |
| Actuarial adjustments | 221,856 | - | - | - | - | - | - | - | 221,856 |
| | 10,919,998 | 6,999,119 | 8,965,829 | 403,461 | 1,764,949 | 2,757,218 | 589,408 | 3,993,469 | 36,393,451 |

| | | | | | | | | | |
|--|--------------|------------|--------------|------------|-----------|------------|-----------|--------------|--------------|
| Expenses | | | | | | | | | |
| Amortization | \$ 233,649 | \$ 561,282 | \$ 192,086 | \$ 1,072 | \$ 2,902 | \$ 73,839 | \$ 55,079 | \$ 330,084 | \$ 1,449,992 |
| Bank charges and short-term interest | 900 | 2,500 | 27,387 | - | - | 1,750 | - | 63,092 | 95,628 |
| Consulting and professional fees | 243,447 | 125,133 | 252,769 | 21,677 | 505,750 | 21,077 | 4,404 | 33,927 | 1,208,184 |
| Contract and other services | 110,444 | 1,717,153 | 4,775,793 | - | - | - | - | - | 6,603,390 |
| Fiscal services for member municipalities | 4,540,372 | - | - | - | - | - | - | - | 4,540,372 |
| General administration, office, and supplies | 202,766 | 447,435 | 176,957 | 5,535 | 256,439 | 161,640 | 21,322 | 137,467 | 1,409,563 |
| Grants and transfers to other governments | 1,052,744 | 333,458 | 50,000 | 4,725 | 135,000 | 946,607 | - | - | 2,522,535 |
| Insurance | 11,182 | 53,288 | 25,651 | 3,811 | 5,081 | 26,647 | 2,806 | 22,312 | 150,778 |
| Interest on long-term debt | - | 164,471 | 46,000 | 65,287 | - | - | 105,000 | 110,046 | 490,803 |
| Landfill closure and post-closure | - | - | 4,266 | - | - | - | - | - | 4,266 |
| Maintenance | 187,188 | 355,047 | 829,936 | 89,673 | - | 217,025 | 208,986 | 149,731 | 2,037,586 |
| Telephone and utilities | 105,836 | 170,710 | 45,325 | 409 | 54,229 | 168,592 | 29,397 | 153,443 | 727,940 |
| Travel, training, and conferences | 167,382 | 107,394 | 8,733 | 662 | 9,299 | 10,000 | 23 | 760 | 304,253 |
| Vehicle and trucking expense | 10,689 | 176,085 | 975,152 | 1,286 | 4,829 | 23,235 | 3,692 | 38,414 | 1,233,382 |
| Wages, salaries and benefits | 1,929,094 | 1,911,365 | 509,695 | 50,527 | 716,265 | 607,533 | 81,679 | 668,934 | 6,475,091 |
| Water and sewer connection fees | - | - | - | - | - | - | - | 171,767 | 171,767 |
| Annual surplus (deficit) | 8,795,694 | 6,125,320 | 7,919,749 | 244,664 | 1,689,794 | 2,257,944 | 512,388 | 1,879,977 | 29,425,530 |
| | \$ 2,124,304 | \$ 873,799 | \$ 1,046,080 | \$ 158,797 | \$ 75,155 | \$ 499,274 | \$ 77,020 | \$ 2,113,492 | \$ 6,967,921 |

Regional District of East Kootenay
Schedule 2 - Covid-19 Restart Grants
(Unaudited)

December 31, 2020

| | |
|--|-------------------|
| Safe Restart Grant Received November 2020 | \$ 641,000 |
| Eligible costs incurred: | |
| Connectivity and virtual communications | (47,217) |
| General government services | <u>(26,678)</u> |
| | <u>(73,895)</u> |
| Covid Restart Reserve Balance, December 31, 2020 | <u>\$ 567,105</u> |