

**Regional District of
East Kootenay**
Financial Statements
For the year ended December 31, 2019

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 (Debt)	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



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 2019 financial statements for the Regional District of East Kootenay, together with the report of our auditors, BDO Canada LLP.

The preparation of the financial statements and schedules is the responsibility of the Regional 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 Regional 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 Regional 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.

A handwritten signature in black ink, appearing to read "Holly Ronnquist", written over a horizontal line.

Holly Ronnquist, CPA, CMA
Chief Financial Officer

April 30, 2020

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, 2019, 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, 2019 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.

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.

BDO Canada LLP

Chartered Professional Accountants

Cranbrook, British Columbia
April 30, 2020

**Regional District of East Kootenay
Statement of Financial Position**

December 31	2019	2018
Financial Assets		
Cash and funds on deposit (Note 1)	\$ 33,036,039	\$ 27,216,136
Accounts receivable (Note 2)	7,593,327	10,282,416
Deposit - Municipal Finance Authority (Note 3)	3,488,450	3,522,435
Agreements due from members (Note 4)	<u>48,170,165</u>	<u>49,030,592</u>
	<u>92,287,981</u>	<u>90,051,579</u>
Liabilities		
Accounts payable and accrued liabilities	3,661,845	4,519,935
Reserve - Municipal Finance Authority (Note 3)	3,488,450	3,522,435
Deferred revenue (Note 5)	919,367	570,823
Short-term borrowing	1,000,000	5,500,000
Landfill closure accrual (Note 6)	14,242,457	14,280,191
Long-term debt (Note 7)	<u>60,142,308</u>	<u>58,690,231</u>
	<u>83,454,427</u>	<u>87,083,615</u>
Net Financial Assets (Debt)	8,833,554	2,967,964
Non-Financial Assets		
Prepaid expenses	57,829	18,987
Tangible capital assets (Note 9)	<u>55,456,894</u>	<u>54,393,405</u>
Accumulated Surplus	\$ 64,348,277	\$ 57,380,356

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	2019	2019	2018
	Budget (Note 16)	Actual	Actual
Revenue			
Tax requisitions	\$ 18,280,711	\$ 18,280,711	\$ 17,805,940
Members' requisitions for debt services	4,554,291	4,540,372	3,871,621
Parcel taxes	1,424,602	1,419,913	1,384,764
Grants in lieu of taxes	874,727	909,851	847,985
Provincial government grants	4,590,639	2,584,432	5,812,763
Local government grants and regional transfers	2,544,489	2,469,364	3,929,841
Water and sewer fees	1,464,085	1,417,083	1,298,355
Other sale of services and fees	1,884,089	3,623,989	3,231,315
Interest earned	379,250	703,684	535,425
Other revenue	515,622	222,196	609,810
Actuarial adjustments	-	221,856	195,216
Loss on West Fernie restructuring	-	-	(11,363,094)
	<u>36,512,505</u>	<u>36,393,451</u>	<u>28,159,941</u>
Expenses (Note 14)			
General administration	6,051,134	4,255,322	3,616,132
Protective services	6,122,799	6,125,320	6,283,077
Solid waste and recycling services	8,394,312	7,919,749	7,368,440
Health, social, housing & other services	313,376	244,664	260,566
Development and transportation services	2,316,390	1,689,794	1,587,594
Parks, recreation and cultural services	2,398,444	2,257,944	2,245,741
Sewer services	550,040	512,388	529,454
Water services	1,735,336	1,879,977	1,921,930
Fiscal services for member municipalities	4,554,291	4,540,372	3,871,621
	<u>32,436,122</u>	<u>29,425,530</u>	<u>27,684,555</u>
Annual surplus	4,076,383	6,967,921	475,386
Accumulated surplus, beginning of year	57,380,356	57,380,356	56,904,970
Accumulated surplus, end of year	\$ 61,456,739	\$ 64,348,277	\$ 57,380,356

The accompanying summary of significant accounting policies, notes and schedule are an integral part of these financial statements.

Regional District of East Kootenay
Statement of Change in Net Financial Assets (Debt)

For the year ended December 31	Budget 2019	2019	2018
Annual surplus	\$ 4,076,383	\$ 6,967,921	\$ 475,386
Acquisition of tangible capital assets	(13,156,125)	(2,528,975)	(11,585,753)
Amortization of tangible capital assets	-	1,449,992	1,442,752
Loss on West Fernie restructuring	-	-	11,363,094
Proceeds on sale of tangible capital assets	-	15,495	2,385,444
Acquisition of prepaid expenses	-	(38,843)	(18,987)
Net change in net financial assets (debt)	(9,079,742)	5,865,590	4,061,936
Net financial assets (debt), beginning of year	2,967,964	2,967,964	(1,093,972)
Net financial assets (debt), end of year	\$ (6,111,778)	\$ 8,833,554	\$ 2,967,964

Regional District of East Kootenay
Statement of Cash Flows

For the year ended December 31	2019	2018
Operating activities		
Cash receipts from taxation and member municipality requisitions	\$ 24,240,996	\$ 23,062,325
Cash receipts from grants, other government transfers	6,980,415	9,418,756
Cash receipts from sale of services, fees and own sources	7,219,194	1,354,208
Cash paid to employees and suppliers	(23,738,637)	(20,872,862)
Interest paid	(586,431)	(591,724)
Interest received	703,683	535,425
Fiscal services for member municipalities	(4,540,372)	(3,871,621)
	<u>10,278,848</u>	<u>9,034,507</u>
Capital activities		
Purchase of tangible capital assets	(2,528,975)	(11,585,753)
Proceeds from sale of tangible capital assets and restructuring	15,495	2,385,444
	<u>(2,513,480)</u>	<u>(9,200,309)</u>
Financing activities		
Issuance (repayment) of long-term debt	2,554,535	(465,292)
Issuance (repayment) of short-term debt	(4,500,000)	5,500,000
Repayment of capital leases	-	(5,589)
	<u>(1,945,465)</u>	<u>5,029,119</u>
Increase (decrease) in cash during year	5,819,903	4,863,317
Cash, beginning of year	<u>27,216,136</u>	<u>22,352,819</u>
Cash, end of year	<u>\$ 33,036,039</u>	<u>\$ 27,216,136</u>

Regional District of East Kootenay Summary of Significant Accounting Policies

December 31, 2019

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, 2019

Revenue Recognition	<p>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.</p> <p>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.</p>
Financial Instruments	<p>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.</p>
Contaminated Sites	<p>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.</p> <p>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.</p> <p>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, 2019.</p>
Budget Figures	<p>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.</p>
Use of Estimates	<p>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.</p>

Regional District of East Kootenay Notes to Financial Statements

December 31, 2019

1. Cash and Funds on Deposit

Included in cash and funds on deposit is \$24,962,704 (2018 - \$22,006,977) which has been specifically set aside with the Municipal Finance Authority for internally and externally restricted reserves.

2. Accounts Receivable

	2019	2018
Local government	\$ -	\$ 61,235
Provincial government	1,996,604	2,511,831
Federal government	233,515	386,612
Other	5,363,208	7,322,738
	\$ 7,593,327	\$ 10,282,416

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	2019	2018
Regional District	\$ 463,936	\$ 242,002	\$ 705,938	\$ 600,474
Member Municipalities	1,897,328	885,928	2,783,256	2,427,945
	\$ 2,361,264	\$ 1,127,930	\$ 3,488,450	\$ 3,522,435

Regional District of East Kootenay
Notes to Financial Statements

December 31, 2019

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.

	2019	2018
City of Cranbrook	\$ 18,083,475	\$ 19,897,136
City of Fernie	2,686,650	2,877,971
City of Kimberley	7,474,523	8,069,089
District of Elkford	4,425,569	2,000,000
District of Invermere	5,882,535	6,234,540
District of Sparwood	4,203,646	4,349,717
Village of Canal Flats	2,112,207	2,161,605
Village of Radium Hot Springs	3,301,560	3,440,534
	\$ 48,170,165	\$ 49,030,592

5. Deferred Revenue

	2019	2018
Koocanusa Community Land Recreation Project	\$ 178,646	\$ 185,586
Regional Agricultural Liaison	90,000	90,000
Fairmont Flood Mitigation	63,739	74,989
BC Investment Agricultural Foundation	331,869	50,000
Invasive Plant	23,000	46,000
Columbia Valley Economic Development	65,000	42,861
Community Support	75,000	-
Other	92,113	81,387
	\$ 919,367	\$ 570,823

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, 2019

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 3,537,213 cubic meters (2018 - 3,607,961). The remaining estimated life of the respective landfills varies from 38 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 \$14,242,457 (2018 - \$14,280,191). 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, 2019

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.

	2019	2018
General	\$ 4,242,990	\$ 4,326,317
Water utilities	4,388,702	1,552,661
Sewer utilities	3,340,451	3,780,661
Member municipalities	11,972,143	9,659,639
	48,170,165	49,030,592
	\$ 60,142,308	\$ 58,690,231

The rates of interest payable on the principal amount of the debentures vary between 1.75% and 4.50% 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:

2020	\$ 3,240,184
2021	3,087,814
2022	2,912,298
2023	2,744,762
2024	2,543,396
Thereafter and actuarial	45,613,854
	\$ 60,142,308

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.

There is no amount due to the Kootenay East Regional Hospital District as at December 31, 2019 (2018 - \$61,235).

Regional District of East Kootenay
Notes to Financial Statements

December 31, 2019

9. Tangible Capital Assets

	2019							
	Land	Land Improvements	Buildings	Vehicles	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
Disposals	-	-	-	-	-	-	-	-
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, 2019

9. Tangible Capital Assets (continued)

								2018
	Land	Land Improvements	Buildings	Vehicle	Equipment	Water	Sewer	Total
Cost, beginning of year	\$ 5,622,001	\$ 3,630,236	\$ 20,076,631	\$ 8,312,513	\$ 4,989,844	\$ 30,575,215	\$ 4,417,501	\$ 77,623,941
Additions	882,093	1,483,632	282,771	50,750	152,579	8,733,928	-	11,585,753
Disposals	-	-	-	(18,197)	-	(13,957,688)	-	(13,975,885)
Cost, end of year	<u>6,504,094</u>	<u>5,113,868</u>	<u>20,359,402</u>	<u>8,345,066</u>	<u>5,142,423</u>	<u>25,351,455</u>	<u>4,417,501</u>	<u>75,233,809</u>
Accumulated amortization, beginning of year	-	243,720	7,443,370	4,817,112	3,115,519	3,338,483	666,795	19,624,999
Amortization		64,417	436,787	316,584	188,067	381,818	55,079	1,442,752
Disposals			-	-	-	(227,347)	-	(227,347)
Accumulated amortization, end of year	<u>-</u>	<u>308,137</u>	<u>7,880,157</u>	<u>5,133,696</u>	<u>3,303,586</u>	<u>3,492,954</u>	<u>721,874</u>	<u>20,840,404</u>
Net carrying amount, end of year	<u>\$ 6,504,094</u>	<u>\$ 4,805,731</u>	<u>\$ 12,479,245</u>	<u>\$ 3,211,370</u>	<u>\$ 1,838,837</u>	<u>\$ 21,858,501</u>	<u>\$ 3,695,627</u>	<u>\$ 54,393,405</u>

Regional District of East Kootenay
Notes to Financial Statements

December 31, 2019

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, 2019, the Regional District had drawn an amount of \$Nil (2018 - \$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:

	<u>2019</u>	<u>2018</u>
Columbia Basin Trust	\$ 141,707	\$ 251,966
Treaty Advisory Council	5,061	9,036
	<u>\$ 146,768</u>	<u>\$ 261,002</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 \$810,727 in 2019 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, 2019

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, 2018, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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 \$373,403 (2018 - \$395,839) for employer contributions to the Plan in fiscal 2019.

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, 2019

14. Expenses by Object

	2019	2018
Amortization	\$ 1,449,992	\$ 1,442,755
Bank charges and short-term interest	95,628	114,578
Consulting and professional fees	1,208,184	1,507,739
Contract and other services	6,603,390	6,340,569
Fiscal services for member municipalities	4,540,372	3,871,621
General administration, office, and supplies	1,409,563	1,246,907
Grants and transfers to other governments	2,522,535	2,270,315
Insurance	150,778	152,360
Interest on long-term debt	490,803	477,146
Landfill closure and post-closure (recovery)	4,266	(163,625)
Maintenance	2,037,586	2,047,770
Telephone and utilities	727,940	605,144
Travel, training, and conferences	304,253	319,778
Vehicle and trucking expense	1,233,382	1,124,784
Wages, salaries and benefits	6,475,091	6,035,538
Water and sewer connection fees	171,767	291,176
	\$ 29,425,530	\$ 27,684,555

Regional District of East Kootenay Notes to Financial Statements

December 31, 2019

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, 2019

16. Budget

The Financial Plan Bylaw adopted by the Board on March 8, 2019 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 8, 2019.

17. Subsequent Events

In March 2020, the COVID outbreak caused Governments world wide to enact emergency measures to combat the spread of the virus. These measures which include facility closures, travel restrictions, self-isolation periods and social and physical distancing, will have a significant impact on local and global economies. At this time it is not possible to estimate the length and severity of the COVID-19 Outbreak and how it may impact the Regional Districts's financial results for 2020.

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
	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
Annual surplus (deficit)	\$ 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 1 - Segmented Information

For the year ended

December 31, 2018

	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	\$ 2,743,052	\$ 5,222,728	\$ 6,404,601	\$ 114,979	\$ 1,373,089	\$ 1,947,491	\$ -	\$ -	\$ 17,805,940
Members' requisitions for debt services	3,871,621	-	-	-	-	-	-	-	3,871,621
Parcel taxes	-	374,162	29,337	920	393,000	587,345	-	-	1,384,764
Grants in lieu of taxes	599,272	24,682	8,259	54	180,761	34,957	-	-	847,985
Provincial government grants	791,281	1,010,531	3,000	51,228	846	464,711	-	3,491,166	5,812,763
Local government grants and regional transfers	378,783	763,836	49,100	339,102	102,639	475,967	-	1,820,415	3,929,841
Water and sewer fees	-	-	-	-	-	-	160,376	1,137,979	1,298,355
Other sale of services and fees	129,581	611,283	1,948,119	189,167	84,122	253,276	-	15,768	3,231,315
Interest earned	412,949	31,449	66,914	158	11,662	4,105	1,382	6,806	535,425
Other revenue	15,063	263,034	42,256	-	56,655	30,707	155	201,939	609,810
Actuarial adjustments	195,216	-	-	-	-	-	-	-	195,216
Loss on restructuring	-	-	-	-	-	-	-	(11,363,094)	(11,363,094)
	9,136,819	8,301,704	8,551,586	695,608	2,202,773	3,798,559	161,914	(4,689,021)	28,159,941
Expenses									
Amortization	\$ 191,494	\$ 548,359	\$ 190,864	\$ 1,072	\$ 2,902	\$ 70,612	\$ 55,079	\$ 382,374	\$ 1,442,755
Bank charges and short-term interest	1,000	2,000	27,940	-	-	2,238	-	81,400	114,578
Consulting and professional fees	263,401	369,654	286,885	60,771	454,094	25,488	2,582	44,863	1,507,739
Contract and other services	89,273	1,741,934	4,509,362	-	-	-	-	-	6,340,569
Fiscal services for member municipalities	3,871,621	-	-	-	-	-	-	-	3,871,621
General administration, office, and supplies	324,578	337,695	124,832	3,048	325,355	80,283	16,286	105,600	1,317,678
Grants and transfers to other governments	496,465	631,595	30,000	725	144,000	967,530	-	-	2,270,315
Insurance	11,238	58,821	21,787	3,702	4,686	25,997	2,894	23,235	152,360
Interest on long-term debt	-	192,258	46,000	63,743	-	-	105,000	70,145	477,146
Landfill closure and post-closure	-	-	(163,625)	-	-	-	-	-	(163,625)
Maintenance	125,556	269,835	888,811	74,960	-	270,710	228,634	189,265	2,047,770
Telephone and utilities	85,175	157,545	44,341	1,101	53,537	146,673	28,501	88,271	605,144
Travel, training, and conferences	173,070	113,051	8,789	334	12,292	11,170	31	1,041	319,778
Vehicle and trucking expense	12,285	139,420	910,196	1,653	3,842	26,748	3,934	26,707	1,124,784
Wages, salaries and benefits	1,842,597	1,720,910	442,258	49,457	586,886	618,293	86,513	617,853	5,964,767
Water and sewer connection fees	-	-	-	-	-	-	-	291,176	291,176
	7,487,753	6,283,077	7,368,440	260,566	1,587,594	2,245,742	529,454	1,921,930	27,684,555
Annual surplus (deficit)	\$ 1,649,065	\$ 2,018,628	\$ 1,183,146	\$ 435,041	\$ 615,178	\$ 1,552,818	\$ (367,540)	\$ (6,610,951)	\$ 475,386