



qathet
REGIONAL DISTRICT

2020 Financial Statements





qathet REGIONAL DISTRICT

Financial Statements for the year ending December 31, 2020

Management's Responsibility for the Financial Statements

Independent Auditor's Report

Financial Statements

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qathet REGIONAL DISTRICT

Management's Responsibility for the Financial Statements

The accompanying financial statements of the qathet Regional District have been prepared in accordance with the Canadian public sector accounting standards and are outlined under significant accounting policies in the notes to the financial statements. Management is responsible for the integrity and objectivity of these statements as well as the supplementary schedules. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. Management also maintains a program of proper business compliance. These systems are regularly monitored and evaluated by management.

The Board of Directors is responsible for reviewing and approving the financial statements and for ensuring that management fulfils its responsibility for financial reporting and internal control.

The financial statements have been audited by MNP LLP, independent external auditors appointed by the qathet Regional District. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the qathet Regional District's financial statements.

A handwritten signature in blue ink, appearing to read 'A. H. ...', positioned above a horizontal line.

Chief Administrative Officer

A handwritten signature in blue ink, appearing to read 'Linda ...', positioned above a horizontal line.

Chief Financial Officer

To the Board of Directors of qathet Regional District:

Opinion

We have audited the financial statements of qathet Regional District (the "Regional District"), 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 notes to the financial statements, including Schedules I to III, summary of function balances and accumulated surplus and a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Regional 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 Information

Management is responsible for the other information, comprising the annual report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Regional 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 Regional District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional 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.

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 Regional 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 Regional 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 Regional 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.

Nanaimo, British Columbia

April 29, 2021

MNP LLP

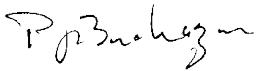
Chartered Professional Accountants

qathet Regional District
Statement of Financial Position
As at December 31, 2020

	2020	2019
Financial Assets		
Cash and short-term investments (Note 2)	\$ 15,590,987	\$ 12,702,007
Receivable from member municipality (Note 4)	19,722,406	9,956,197
Accounts receivable	2,344,561	1,083,817
Total Financial Assets	37,657,954	23,742,021
Liabilities		
Accounts payable (Note 16)	2,765,394	1,416,698
Due to Powell River Regional Hospital District (Notes 2 & 17)	5,595,731	5,069,778
Development cost charges	9,460	9,228
Deferred revenue	254,442	156,813
Capital financing and short term debt (Note 3)	1,349,929	1,535,504
Long-term debt (Note 4)	20,539,544	10,806,311
Landfill closure and post closure liability (Note 5)	202,889	242,332
Total Liabilities	30,717,390	19,236,664
Net Financial Assets	6,940,564	4,505,357
Non-Financial Assets		
Tangible capital assets (Schedule I)	20,468,729	18,207,701
Prepaid expenses	156,467	126,817
Total Non-Financial Assets	20,625,196	18,334,518
Accumulated surplus (Note 11)	\$ 27,565,760	\$ 22,839,875

Commitments (Note 9)
Significant Event (Note 15)

Approved on behalf of the Board:



Chair



Chief Financial Officer

qathet Regional District
Statement of Operations
For the year ended December 31, 2020

	2020 Budget (Note 14)	2020 Actual	2019 Actual
Revenue			
Taxation levies	\$ 8,012,639	\$ 8,008,395	\$ 7,187,231
Parcel tax	288,905	288,905	318,905
Grants	5,358,162	3,515,185	1,634,044
Waste Management Tipping fees	1,370,640	1,409,995	1,296,331
Sales of Services - Cemetery	96,534	98,890	137,973
Park Fees	176,243	181,703	185,878
Water and Sewer User Fees	142,650	151,945	144,334
Interest and Other Revenue	444,835	634,816	516,504
Gain (loss) on disposal of tangible capital assets	-	(2,312)	36,594
Gain from Actuarial Adjustment on Debenture Debt	-	7,647	6,411
	<u>15,890,608</u>	<u>14,295,167</u>	<u>11,464,204</u>
Expenses			
General Government Services (Note 17)	1,976,738	1,565,324	1,686,600
Development Services	673,150	546,328	524,631
Solid Waste Management and Recycling	2,707,469	2,411,242	2,309,666
Other Services	877,508	666,739	913,738
Parks and Recreation Services	1,847,314	1,796,304	1,752,776
Protective Services	2,071,183	2,018,890	2,331,477
Public Health and Welfare Services	97,046	121,005	123,376
Transportation Services	174,130	125,390	155,437
Water Services	154,247	130,992	113,679
Sewer Services	202,324	187,070	142,704
	<u>10,781,109</u>	<u>9,569,283</u>	<u>10,054,084</u>
Annual Surplus	5,109,499	4,725,885	1,410,120
Accumulated surplus, beginning of year	22,839,875	22,839,875	21,429,755
Accumulated surplus, end of year (Note 11)	<u>\$ 27,949,374</u>	<u>\$ 27,565,760</u>	<u>\$ 22,839,875</u>

qathet Regional District
Statement of Changes in Net Financial Assets
For the year ended December 31, 2020

	2020 Budget <u>(Note 14)</u>	2020 Actual	2019 Actual
Annual Surplus	\$ 5,109,499	\$ 4,725,885	\$ 1,410,120
Acquisition of tangible capital assets	(6,132,585)	(3,023,197)	(1,431,708)
Amortization of tangible capital assets	-	759,857	686,097
Write down of investment in septage sludge disposal	-		178,150
Proceeds from sale of tangible capital assets	-		71,240
Gain (loss) on disposal of tangible capital assets	-	2,312	(36,594)
Change in prepaid expenses	-	(29,650)	(69,522)
Change in net financial assets	(1,023,086)	2,435,207	807,783
Net financial assets, beginning of year	4,505,357	4,505,357	3,697,574
Net financial assets, end of year	<u>\$ 3,482,271</u>	<u>\$ 6,940,564</u>	<u>\$ 4,505,357</u>

qathet Regional District
Statement of Cash Flows
For the year ended December 31, 2020

	<u>2020</u>	<u>2019</u>
Cash provided (used in)		
Operating Transactions		
Annual surplus	\$ 4,725,885	\$ 1,410,120
Items not involving cash		
Amortization of tangible capital assets	759,857	686,097
Gain (loss) on disposal of tangible capital assets	2,312	(36,594)
Gain from Actuarial Adjustment on Debenture Debt	(7,647)	(6,411)
Write down of investment in septage sludge disposal	-	178,150
Landfill Closure and post closure costs	(39,443)	69,558
Changes in balances		
Accounts Receivable	(1,294,744)	(329,260)
Prepaid Expenses	(29,650)	(69,522)
Accounts Payable	1,348,696	490,442
Deferred revenue	97,629	144,838
	<u>5,596,894</u>	<u>2,537,419</u>
Capital Transactions		
Proceeds from sale of tangible capital assets	-	71,240
Acquisition of tangible capital assets	(3,023,197)	(1,431,708)
	<u>(3,023,197)</u>	<u>(1,360,468)</u>
Financing Transactions		
Debt proceeds	150,000	402,138
Change in due to Powell River Regional Hospital District	525,954	457,919
Development cost charges	232	242
Repayment of long-term debt, leases and short-term borrowing	(360,904)	(338,346)
	<u>315,282</u>	<u>521,952</u>
Increase in cash and short-term investments during the year	<u>2,888,980</u>	<u>1,698,903</u>
Cash and short-term investments, beginning of year	<u>12,702,007</u>	<u>11,003,104</u>
Cash and short-term investments, end of year (Note 2)	<u>\$ 15,590,987</u>	<u>\$ 12,702,007</u>

qathet Regional District
Summary of Function Balances and Accumulated Surplus
For the year ended December 31, 2020

	2020	2019
Function Balances		
Administration and general	322,232	189,888
Planning	70,000	66,129
Waste management	159,175	96,824
Cemetery operations	39,284	31,940
Parks operations	-	46,605
Malaspina fire protection area	80,000	1
Lasqueti fire protection area	12,325	-
Savary fire protection area	-	2,000
Northside fire protection	5,000	1,310
Emergency telephone (911) services	(6,047)	11,444
Texada medical clinic	(534)	(3,308)
Texada recreations commission	28,000	9,894
House numbering	(1,628)	13,766
Recreation program	1,500	-
Rural paratransit	38,747	4,726
Emergency program area C & D	(15)	6
Electoral area feasibility study	31,733	9,761
Library services	(0)	(1,250)
Lasqueti Island library services	(2)	-
Savary Island public marine transportation facilities	204	10,000
Texada Island public marine transportation facilities	14,328	-
Lasqueti Island marine ramp	-	2,847
Northside recreation	-	(6,605)
Emergency preparedness service	-	20,000
Septage sludge disposal	334	199
Economic development	6,565	85
Water fund - Myrtle pond	20,534	20,000
Sewer fund - Lund sewer	20,000	26,000
Regional animal shelter	(1)	-
Development service	4,881	615
Social planning	6,636	14,785
Total function balances	853,253	567,661
Waste management reserve (Note 11)	1,188,659	1,131,207
Reserve for future expenditure (Note 11)	3,715,238	2,558,381
Statutory reserve fund (Note 11)	3,506,951	2,760,544
Equity in tangible capital assets (Note 10)	18,301,661	15,822,082
Accumulated surplus (Note 11)	27,565,760	22,839,875

qathet Regional District
Summary of Significant Accounting Policies
Year ended December 31, 2020

qathet Regional District ("the Regional District") is a local government in the Province of British Columbia. The Regional District prepares its financial statements in accordance with Canadian public sector standards using guidelines developed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants.

Following is a summary of the significant accounting policies of the Regional District:

a) Cash and Cash Equivalents

Cash and cash equivalents are carried at cost and have a maturity period of less than three months.

b) Revenue Recognition

Revenues are recognized in the period in which transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis.

Interest and operating grants are recognized as earned. Grants in lieu of taxes are recorded on an accrual basis when it is possible to reasonably estimate the amounts receivable. User fees, transit fares, airport hangar lease fees, water and sewer user fees, camping, parking and tipping fees are recognized as revenue on an accrual basis according to rates set in various fees and charges bylaws.

Revenue related to fees of services received in advance of the fee being earned or when the service is performed is deferred and recognized when the fee is earned or the service performed.

Taxation

Property taxes in the form of local government requisitions are recognized as revenue in the year they are levied.

Development Cost Charges

Receipts which are restricted by the legislation of senior government are reported as Development Cost Charges liability at the time they are received. When qualifying expenditures are incurred, Development Cost Charges are brought into revenue as Development revenue.

Cemetery Operations

Revenue from the sale of reserved plots is considered revenue in the year received. Any refunds which may be applied for in the future will be considered an operating expenditure of that year.

Government Transfers

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 if the transfer stipulations give rise to a liability. The transfer revenue is recognized in the statement of operations as the stipulated liabilities are settled.

When the Regional District is deemed the transferor, the transfer expense is recognized when the recipient is authorized and has met the eligibility criteria.

The most significant government transfers relate to the Community Works Fund. These funds are recognized as revenue in the year the funds are received.

qathet Regional District
Summary of Significant Accounting Policies
Year ended December 31, 2020

c) Accrued Employee Benefits

Based on obligations as determined by collective agreement and Board policy, employee benefit accruals, which includes allowance for vacation entitlement, banked time and sick day accruals, are recorded in the year in which they are earned.

d) 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 contribution, 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 put into use.

Estimate useful lives of tangible capital assets are as follows:

Land improvements	10 to 50 years
Parks infrastructure	35 years
Buildings	20 to 50 years
Machinery and equipment	5 to 35 years
Vehicles	10 to 30 years
Water systems	10 to 80 years
Sewer systems	10 to 80 years
Structures (docks and sheds)	40 to 50 years

e) Landfill and Post Closure Liability

The landfill closure and post closure liability is based on estimated costs to close and post closure activities of the Lasqueti Island solid waste landfill site at the end of its expected useful life. The estimated cost is accrued as the landfill site's capacity is used. The liability and annual expense is calculated based on the rate of utilization to total capacity. Any changes in estimate are recorded prospectively.

f) Interest on Debt

Interest on debt of the Regional District is recorded on the accrual basis.

g) Financial Instruments

The Regional District's financial instruments consist of cash and short-term investments, accounts receivable, accounts payable, short-term and long-term debt, capital financing and due to the Powell River Regional Hospital District. Unless otherwise noted, it is management's opinion that the Regional District is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

h) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported results could differ from management's best estimates as additional information becomes available in the future. Areas requiring the greatest degree of estimation include useful life of tangible capital assets and the provision for landfill closures.

**qathet Regional District
Notes to Financial Statements
Year ended December 31, 2020**

1. Municipal Finance Authority Reserve Deposits and Demand Notes

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 and totals \$12,848 (\$12,589 - 2019). The Regional District also executes demand notes in connection with each debenture totaling \$19,428 (\$19,428 - 2019) whereby the Regional District may be required to loan certain amounts to the Municipal Finance Authority. Debt reserve funds are also held on behalf of the City of Powell River and total \$594,385 (\$366,944 - 2019). All amounts related to the reserve deposits and demand notes are disclosed here and not recorded elsewhere in these financial statements.

2. Cash and Short-Term Investments

	2020	2019
Cash accounts (1.2%)	\$ 2,287,248	\$ 1,724,124
MFA - Bond Fund	3,535,060	3,321,278
MFA - Money Market	4,004,164	
Short-term GICs (1.6% - 2.53%)		5,045,763
Savings Institutions	5,608,819	2,386,802
Other Cash held	155,696	224,041
	15,590,987	12,702,007
Less:		
Portion held for Powell River Regional Hospital District	(5,595,731)	(5,069,778)
Cash and short-term investments	\$ 9,995,256	\$ 7,632,229

3. Capital Financing and Short Term Debt

The total equipment financing outstanding with the Municipal Finance Authority of British Columbia as at December 31, 2020 was \$969,905 (\$1,041,965 - 2019).

The qathet Regional District has entered into equipment financing loans for the following:

- 1) A five year equipment loan agreement with the Municipal Finance Authority of British Columbia which commenced October 27, 2016 for the purchase of a Malaspina Volunteer Fire service fire truck. The remaining obligation will be repaid with monthly loan payments in the amount of \$3,794 including interest at a daily varying rate. The balance of the loan at December 31, 2020, which is included in equipment financing, is \$331,380 (\$370,816 - 2019). Loan to expire October 31, 2021.
- 2) A five year equipment loan agreement with the Municipal Finance Authority of British Columbia which commenced December 21, 2018 for the initial payment on the purchase of two apparatus for the Malaspina Volunteer Fire service. The remaining obligation will be repaid with monthly loan payments in the amount of \$1,519 including interest at a daily varying rate. The balance of the loan at December 31, 2020, which is included in equipment financing, is \$255,293 (\$269,011 - 2019). Loan to expire December 31, 2023.
- 3) A five year equipment loan agreement with the Municipal Finance Authority of British Columbia which commenced December 31, 2019 for the balance of the purchase of two fire apparatus for the Malaspina Volunteer Fire service. The remaining obligation will be repaid with monthly loan payments in the amount of \$2,139 including interest at a daily varying rate. The balance of the loan at December 31, 2020, which is included in equipment financing, is 383,232 (\$402,138 - 2019). Loan to expire December 31, 2024.

The daily varying interest rate on the financing at December 31, 2020 was 1.21% (2.54% - 2019).

**qathet Regional District
Notes to Financial Statements
Year ended December 31, 2020**

3. Capital Financing and Short Term Debt (continued)

Future loan payments on Regional District equipment financing, subject to anticipated refinancing at loan maturities, are as follows:

2021	\$	89,417
2022		89,417
2023		89,417
2024		89,417
2025		89,417
	<u>\$</u>	<u>447,085</u>

Short-Term Debt

The total short-term financing outstanding with the Municipal Finance Authority of British Columbia as at December 31, 2020 was \$380,025 (\$493,539 - 2019). Interest on the debt is charged at daily varying rates. The full amount borrowed must be repaid within five (5) years.

Future loan payments on short term debt are projected as:

2021	\$	279,550
2022		100,475
	<u>\$</u>	<u>380,025</u>

4. Long-Term Debt

Debt of the Regional District	2020	2019
Issued 2004, maturing 2024, 5.5%	\$ 19,918	\$ 24,319
Issued 2010, maturing 2030, 1.28%	43,004	46,448
Issued 2011, maturing 2026, 4.2%	11,787	13,496
Issued 2012, maturing 2042, 2.9%	454,626	467,390
Issued 2012, maturing 2032, 2.9%	6,606	7,029
Issued 2013, maturing 2043, 3.15%	54,008	55,426
Issued 2013, maturing 2033, 3.15%	1,932	2,043
Issued 2014, maturing 2044, 3.30%	37,678	38,605
Issued 2018, maturing 2038, 3.3%	187,581	195,359
	<u>817,139</u>	<u>850,114</u>
Debt of the qathet Regional District	817,139	850,114
Debt of the City of Powell River	19,722,406	9,956,197
	<u>\$ 20,539,544</u>	<u>\$ 10,806,311</u>

Future principal repayments on Regional District Debt:

2021	\$	34,345
2022		35,666
2023		37,040
2024		38,468
2025		34,335
2026 and Beyond		637,285
	<u>\$</u>	<u>817,139</u>

qathet Regional District
Notes to Financial Statements
Year ended December 31, 2020

5. Landfill Closure and Post Closure Liability

In accordance with PS 3270, liabilities with respect to permanently closing and monitoring a landfill are incurred as landfill capacity is used. The closure costs for the Lasqueti Island Landfill are estimated based on the open area of the remaining unused capacity of the landfill site. At the end of 2020 the Lasqueti Island Landfill is estimated to be 67.88% used. Closure of the landfill started in 2019 and is projected to be completed by the end of 2021. Landfill closure costs are estimated at \$99,930 (2019 - \$184,056).

It is estimated that post-closure monitoring of the Lasqueti Island Landfill will be required from 2021 through 2045. Post closure monitoring costs are estimated at \$18,000 in 2021 and 2022, the reducing to \$8,500 per year from 2022 through 2045. Total post closure monitoring costs at December 31, 2020 are estimated at \$272,907 (2019 - \$275,677).

The total estimated cost for closure and post closure monitoring of the Lasqueti Island Landfill at December 31, 2020 is estimated at \$372,837. The total landfill liability presented is based on the present value of the closure and post closure monitoring costs using a discount rate of 1.54%. The discount rate is based on the average change in the Consumer Price Index from 2015 through 2020. As at December 31, 2020 the present value of the closure costs and post closure monitoring is estimated at \$202,889 (2019 - \$242,332) and this amount has been set aside in reserves for that purpose.

6. The North Island 9-1-1 Corporation

The 911 emergency dispatch service is provided by the North Island 9-1-1 Corporation which is owned by the Regional Districts of Comox Valley, Nanaimo, Strathcona, Alberni Clayoquot, Mount Waddington and qathet. The shares in the corporation are held as follows:

Alberni Clayoquot	3 shares
Comox Valley	6 shares
Mount Waddington	1 share
Nanaimo	5 shares
qathet	2 shares
Strathcona	4 shares

7. Septage Sludge Disposal

The Regional District has contracted with the City of Powell River in order to allow use of their sewage lagoon for the disposal of septage and sewage sludge generated in electoral area A-D until 2025. The agreement required an up-front payment of \$509,000 in 2005 and contains further commitments of the Regional District as set out in Note 9.

qathet Regional District
Notes to Financial Statements
Year ended December 31, 2020

8. Pension Plan

The employer and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 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 valuation for the Municipal Pension Plan as of December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

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.

The Regional District paid \$179,533 (2019 - \$169,767) for employer contributions while employees contributed \$159,977 (2019 - \$150,373) to the plan in fiscal 2020.

9. Commitments

The Regional District has the following commitments:

A waste handling service at an estimated cost of \$252,000/year until June 30, 2021.

A waste transport service at an estimated cost of \$527,000/year until June 30, 2021.

A waste transport and disposal service at an estimated cost of \$665,000/year until December 31, 2023 with automatic renewal for successive three year periods until cancelled with notice.

A recycling depot operating contract at an estimated cost of \$306,000/year until October 31, 2023.

An organics diversion contract at an estimated cost of \$150,000/year until December 31, 2021.

A septage sludge disposal service with payments of \$12,000/year until 2025 with annual cost of living indexing until cancelled with notice.

A contribution to the SPCA of \$86,000/year with annual cost of living indexing until cancelled with notice.

**qathet Regional District
Notes to Financial Statements
Year ended December 31, 2020**

9. Commitments (continued)

An agreement with an estimated cost of \$77,000 for the maintenance and operation of Shelter Point Regional Park until December 31, 2021.

An agreement with an estimated cost of \$206,000 toward operation of the Heritage Conservation service with no stated termination date.

An agreement for a funding contribution of approximately \$177,000 toward operation of the Powell River Recreation Complex with no stated termination date.

An agreement with an estimated cost of \$1.2 million for the landfill closure and related Works at the historical incineration site on Marine Avenue in Powell River, BC.

An agreement with an estimated cost of \$67,000 for the replacement of the deck, ramp and stairs at the Savary Island Fire Hall with a contract substantial completion date of March 31, 2021.

An agreement with an estimated cost of \$706,000 for the construction of a new fire hall at 9574 Roots Way in Lund, BC. With a substantial completion date within twelve months of the receipt of Notice to Proceed.

An agreement with an estimated cost of \$75,000/year for the collection and transportation of Lasqueti Island's residual waste with an expiry date of January 4, 2022.

10. Equity in Tangible Capital Assets

	2020	2019
Equity in tangible capital assets, beginning of year	\$ 15,822,082	\$ 15,346,647
Tangible capital assets additions	3,231,437	1,431,708
Amortization of tangible capital assets	(759,857)	(686,097)
Additions funded by debt and equipment financing	(150,000)	-
Equipment financing debt proceeds	-	(402,138)
Long-term debt payments	32,975	31,740
Short-term debt payments	335,575	313,018
Capital assets disposal	(210,552)	(34,646)
Write down of investment in Septage Sludge Disposal	-	(178,150)
Equity in tangible capital assets, end of year	<u>\$ 18,301,661</u>	<u>\$ 15,822,082</u>

11. Accumulated Surplus

The Regional District segregates its accumulated surplus into the following categories: function balances, provisions for future expenditure (both capital and operating), equity in tangible capital assets, reserve funds and unspent capital funds.

	2020	2019
Function balances	\$ 853,253	\$ 567,661
Waste Management Reserve	1,188,659	1,131,207
Reserve for future expenditures	3,715,238	2,558,381
Statutory Reserve fund	3,506,951	2,760,544
Equity in Tangible Capital Assets (Note 10)	18,301,661	15,822,082
	<u>\$ 27,565,760</u>	<u>\$ 22,839,875</u>

**qathet Regional District
Notes to Financial Statements
Year ended December 31, 2020**

11. Accumulated Surplus (continued)

The equity in tangible capital assets represents amounts already spent and invested in infrastructure and other tangible capital assets.

Statutory Reserve funds represent funds set aside by bylaw or board resolution for specific purposes. Details of reserve funds are shown below:

Represented by:	2020	2019
Cemetery Care fund	\$ 345,790	\$ 329,827
Texada Medical Clinic capital reserve	46,853	29,934
Malaspina Volunteer Fire capital reserve	269,493	255,850
Malaspina Volunteer Fire capital reserve #2	111,493	
Lasqueti Island Volunteer Fire capital reserve	220,374	177,212
Northside Volunteer Fire capital reserve	151,936	77,712
Savary Island Volunteer Fire capital reserve	234,334	163,295
Lund Sewer capital reserve	67,149	53,347
Texada Recreation Commission capital reserve	186,102	163,708
Community Works Fund reserve (Note 12)	1,076,125	946,387
Feasibility Studies reserve	32,575	26,847
Community Parks Acquisition reserve	404,289	394,370
Myrtle Pond Water System reserve	175,393	141,924
General Administration reserve	135	131
Regional Parks Acquisition reserve	184,910	
	\$ 3,506,951	\$ 2,760,544

12. Community Works Fund

The Regional District has transferred the unspent Community Works funds to a reserve and continues to track the unspent amounts in the Fund. The continuity of the fund is presented in the table below:

	2020	2019
Community Works Fund Reserve, opening balance	\$ 946,387	\$ 433,348
Amount received during the year	345,230	697,240
Interest earned	26,898	12,783
	1,318,515	1,143,371
Less: Amount spent	(242,390)	(196,984)
Community Works Fund Reserve, closing balance	\$ 1,076,125	\$ 946,387

**qathet Regional District
Notes to Financial Statements
Year ended December 31, 2020**

13. COVID-19 Safe Restart Grant

In 2020 the Regional District received a \$424,000 grant under the COVID-19 Safe Restart Grant for Local Governments. Unspent funds have been transferred to a reserve for future expenditure. The continuity of the funding is presented in the table below:

	2020
Amount received during the year	424,000
Interest earned	442
	424,442
Eligible costs incurred:	
Emergency Planning and Response	(84,563)
Facility Reopening and Operating Costs	(82,251)
Revenue Shortfalls	(19,751)
Services for Vulnerable Persons	(6,636)
Technology Upgrades	(21,142)
Total eligible costs incurred	(214,343)
COVID-19 Safe Restart Grant, closing balance	\$ 210,099

14. Budget Figures

Budget Figures represent the Financial Plan Bylaw No. 559 adopted by the Board on March 30, 2020.

The financial plan bylaw was prepared on a modified accrual basis while Canadian public sector accounting standards require financial statements to be prepared on a full accrual basis. The financial plan anticipated use of surpluses accumulated in prior years to reduce current year expenditures in excess of current year revenues. In addition, capital acquisitions were recognized as expenditures in the financial plan rather than including amortization expense.

The summary below reconciles the 2020 adopted financial plan to the financial statement budget figures:

	2020
Financial plan bylaw, surplus for the year	\$ -
Less:	
Prior Year Surplus	(574,598)
Proceeds from new debt	(853,153)
Transfers to / from own funds	(44,754)
Add:	
Capital expenditures per budget	6,132,585
Repayment of debt	449,419
Adjusted Annual Surplus	\$ 5,109,499

15. Significant Event

In March 2020, the COVID-19 outbreak caused governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which included the implementation of facility closures, travel restrictions, self-isolation periods, and social and physical distancing, continue to have a significant impact on the local and global economy. At this time it is not possible to reliably estimate the impact on the Regional District's financial results for 2021.

**qathet Regional District
Notes to Financial Statements
Year ended December 31, 2020**

16. Employee Benefit Obligations

qRD employees are allowed up to nine (9) sick days per year. In 2019 the union contract was amended to allow employees to carry over and to bank up to thirty (30) days. The sick days may be used to bridge to weekly indemnity or to top up weekly indemnity to one hundred (100) percent. Sick day accruals will not be paid out at retirement or termination of employment. The amount recorded for this benefit is based on cost at the time the benefit was accrued.

During 2020 the qathet Regional District recorded a liability of \$50,503 (2019 - \$25,786) for employee sick leave. This liability is included in accounts payable on the Statement of Financial Position.

17. Powell River Regional Hospital District

The board members of the qathet Regional District sit on the board of the Powell River Regional Hospital District. The regional district and the regional hospital district are separate legal entities as defined by separate letters patent and authorized by separate legislation.

During 2020, administrative support services supplied to the regional hospital district by the qathet Regional District totalled \$100,000 (2019 - \$65,000).

18. Segmented Information

The qathet Regional District is a diversified local government providing a wide range of services to approximately 20,000 residents, including parks, community halls, fire protection, waste management and water and wastewater services. As a requirement of the *Local Government Act*, separate financial records must be maintained for each service providing detailed allocations of assets and liabilities, revenues and expenses, information concerning reserve funds and other pertinent financial details. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and also amounts that are allocated on a reasonable basis.

Segmentation has been determined on a functional basis with consideration to service delivery and departmental accountabilities. The following is a description of the types of services included in each of the main service segments of the regional district's financial statements. A detailed summary of the 2020 revenues and expenses can be found in Schedule II of the accompanying financial statements. Schedule III contains comparative figures for the year ended December 31, 2019. Prior year figures may have been reclassified to conform to current presentation. Certain comparative figures have been restated to conform with the current year's presentation.

General Government

General government is comprised of the member municipality and electoral area governance, general administration which includes legislative services, finance, human resources and information systems, electoral area administration, grants in aid and house numbering services.

Development Services

Provides land use planning services to electoral area A, B, C and D. Processes provincial land use and development referrals to determine whether proposed applications comply with the qathet Regional District bylaws and policies. Provides support for initiatives that enhance economic development and social planning within the region.

qathet Regional District
Notes to Financial Statements
Year ended December 31, 2020

18. Segmented Information (continued)

Solid Waste Management and Recycling

Solid waste management and recycling is responsible for long term planning and management of solid waste throughout the region. The service provides for waste reduction and education programs and operation of the regional district's transfer stations and recycling centres.

Other Services

Other services provides for feasibility studies, operation and maintenance of two cemeteries (Powell River and Woodland), the Texada Island Airport, Savary Island Marine facilities, the Van Anda dock and Lasqueti Island ramp. The services also provide for contributions toward the animal shelter and the operation and maintenance of a septage disposal facility,

Parks and Recreation

Parks and recreation services provide for the acquisition, development, operation and maintenance of land, buildings, facilities and outdoor spaces to foster recreational activities throughout the region.

Protective services

Protective services provides for the coordination of emergency planning, preparedness, training, response, and recovery for all areas within the region. Services include the operation and maintenance of four volunteer fire departments, provides for road rescue grants, and the 9-1-1 emergency answering service.

Public Health and Welfare

Supports the function of acquiring, operating and maintaining a medical clinic on Texada Island and provides for a contribution toward operation of a health centre on Lasqueti Island.

Transportation Services

Transportation services include the Rural Paratransit service - an agreement between the regional district and BC Transit Authority.

Water Service

Supports the operation and maintenance of the Myrtle Pond Water system within a subset of Electoral Area B.

Sewer Service

Supports the operation and maintenance of the Lund Sewer system within a subset of Electoral Area A.

SCHEDULE I

qathet Regional District
Tangible Capital Asset Continuity Schedule
Year Ended December 31, 2020

2019	Land	Land Improvements	Parks Infrastructure	Buildings	Construction in Progress	Machinery & Equipment	Vehicles	Water Systems	Sewer	Structures (Docks and Sheds)	Totals
Cost, start of year	\$ 1,983,605	\$ 2,849,788	\$ 93,638	\$ 5,908,453	\$ 1,324,962	\$ 1,946,459	\$ 3,039,453	\$ 1,834,656	\$ 2,013,054	\$ 3,877,830	\$ 24,871,897
Additions	-	209,147	36,814	64,253	234,253	216,253	587,654	-	30,834	52,500	1,431,708
Transfers	-	11,051	-	116,376	(1,160,920)	-	280,361	-	753,132	-	-
Disposals	-	-	-	(3,146)	-	(218,528)	(415,354)	-	-	-	(637,028)
Cost, end of year	1,983,605	3,069,986	130,452	6,085,934	398,295	1,944,184	3,492,115	1,834,656	2,797,020	3,930,330	25,666,576
Accumulated amortization, start of year	-	549,648	36,982	1,558,922	-	1,204,542	1,673,544	388,969	786,206	1,176,347	7,375,160
Amortization	-	79,673	3,279	146,868	-	105,428	135,419	45,204	54,869	115,357	686,097
Transfers	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(944)	-	(192,213)	(409,225)	-	-	-	(602,382)
Accumulated amortization, end of year	-	629,321	40,261	1,704,845	-	1,117,758	1,399,737	434,173	841,075	1,291,705	7,458,875
Net carrying amount, end of year	1,983,605	2,440,665	90,191	4,381,089	398,295	826,426	2,092,378	1,400,483	1,955,945	2,638,625	18,207,701

2020	Land	Land Improvements	Parks Infrastructure	Buildings	Construction in Progress	Machinery & Equipment	Vehicles	Water Systems	Sewer	Structures (Docks and Sheds)	Totals
Cost, start of year	1,983,605	3,069,985	130,452	6,085,934	398,295	1,944,184	3,492,115	1,834,656	2,797,020	3,930,330	25,666,576
Additions	-	96,242	-	9,403	2,809,803	275,863	32,444	-	7,681	-	3,231,437
Disposals	-	-	-	(3,226)	(208,240)	-	-	-	-	-	(211,466)
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Cost, end of year	1,983,605	3,166,227	130,452	6,092,112	2,999,857	2,220,047	3,524,559	1,834,656	2,804,701	3,930,330	28,686,546
Accumulated amortization, start of year	-	629,321	40,261	1,704,845	-	1,117,758	1,399,737	434,173	841,075	1,291,705	7,458,875
Amortization	-	82,852	3,977	148,162	-	146,909	132,786	45,204	83,838	116,129	759,857
Correction	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(914)	-	-	-	-	-	-	(914)
Accumulated amortization, end of year	-	712,173	44,238	1,852,093	-	1,264,668	1,532,523	479,377	924,912	1,407,834	8,217,818
Net carrying amount, end of year	1,983,605	2,454,055	86,214	4,240,019	2,999,857	955,380	1,992,036	1,355,279	1,879,789	2,522,496	20,468,729

SCHEDULE II

qathet Regional District
 Schedule of Segment Disclosure by Service
 Year ended December 31, 2020

	General Fund								Water Fund	Sewer Fund	2020 Actual	2020 Budget
	General Government Services	Development Services	Solid Waste Management & Recycling	Other Services	Parks and Recreation Services	Protective Services	Public Health & Welfare	Transportation Services	Water Services	Sewer Services		
Revenue												
Taxation levies	\$ 1,724,304	\$ 579,636	\$ 943,380	\$ 486,502	\$ 1,909,272	\$ 2,101,111	\$ 132,548	\$ 131,642	\$ -	\$ -	\$ 8,008,395	\$ 8,012,639
Parcel tax	-	-	-	190,000	-	-	-	-	46,405	52,500	288,905	288,905
Grants	992,478	-	2,231,480	13,146	3,250	266,585	-	8,245	-	-	3,515,185	5,358,162
Waste Management Tipping fees	-	-	1,409,995	-	-	-	-	-	-	-	1,409,995	1,370,640
Sales of Services - Cemetery	-	-	-	98,890	-	-	-	-	-	-	98,890	96,534
Park Fees	-	-	-	-	181,703	-	-	-	-	-	181,703	176,243
Water and Sewer User Fees	-	-	-	-	-	-	-	-	76,351	75,593	151,945	142,650
Interest and Other Revenue	77,092	15,427	151,666	56,159	54,717	253,761	1,053	18,395	4,884	1,661	634,816	444,835
Gain (loss) on disposal of tangible capital assets	-	-	-	-	(2,312)	-	-	-	-	-	(2,312)	-
Gain from Actuarial Adjustment on Debenture Debt	-	-	-	-	2,284	3,527	227	-	1,149	460	7,647	-
Contributed Capital	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	2,793,875	595,063	4,736,521	844,697	2,148,914	2,624,984	133,828	158,282	128,789	130,215	14,295,167	15,890,608
Expenses												
Personnel costs	932,069	225,900	104,177	203,685	417,517	520,025	5,057	7,418	7,412	4,421	2,427,681	2,922,805
Grants	60,064	187,824	-	84,985	866,219	208,026	42,500	90,204	-	-	1,539,822	1,599,927
General goods and services	498,743	118,176	2,167,878	227,298	390,830	1,018,081	46,145	26,777	76,467	97,207	4,667,601	6,008,377
Debt charges	4,468	-	-	1,354	3,850	36,996	6,493	-	1,909	1,540	56,609	-
Transfers to other local government	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of tangible capital assets	69,980	14,428	21,473	149,417	117,888	235,762	20,810	992	45,204	83,902	759,857	-
Landfill closure/post closure allowances	-	-	117,713	-	-	-	-	-	-	-	117,713	250,000
Total Expenses	1,565,324	546,328	2,411,242	666,739	1,796,304	2,018,890	121,005	125,390	130,992	187,070	9,569,283	10,781,109
Annual Surplus (Deficit)	\$ 1,228,551	\$ 48,734	\$ 2,325,279	\$ 177,958	\$ 352,610	\$ 606,095	\$ 12,823	\$ 32,892	\$ (2,203)	\$ (56,855)	\$ 4,725,885	\$ 5,109,499

SCHEDULE III

qathet Regional District
 Schedule of Segment Disclosure by Service
 Year ended December 31, 2019

	General Fund										2019 Actual	2019 Budget	
	General Government Services	Development Services	Solid Waste Management & Recycling	Other Services	Parks and Recreation Services	Protective Services	Public Health & Welfare	Transportation Services	Water Fund Water Services	Sewer Fund Sewer Services			
Revenue													
Taxation levies	\$ 1,645,210	\$ 567,013	\$ 716,034	\$ 477,362	\$ 1,632,403	\$ 1,895,000	124,975	\$ 129,234	\$ -	\$ -	\$ 7,187,231	\$ 7,187,233	
Parcel tax	-	-	-	190,000	-	30,000	-	-	46,405	52,500	318,905	\$ 318,905	
Grants	921,300	-	97,870	15,990	13,782	575,996	-	-	-	9,106	1,634,044	7,063,712	
Waste Management Tipping fees	-	-	1,296,331	-	-	-	-	-	-	-	1,296,331	1,284,500	
Sales of Services - Cemetery	-	-	-	137,973	-	-	-	-	-	-	137,973	87,529	
Park Fees	-	-	-	-	185,878	-	-	-	-	-	185,878	136,313	
Water and Sewer User Fees	-	-	-	-	-	-	-	72,479	71,855	-	144,334	131,374	
Interest and Other Revenue	42,312	3,421	124,737	50,572	68,123	184,984	1,211	35,578	4,047	1,518	516,503	500,427	
Gain (loss) on disposal of tangible capital assets	(1,506)	-	(2,202)	-	-	40,302	-	-	-	-	36,594	-	
Gain from Actuarial Adjustment on Debenture Debt	-	-	-	-	2,075	2,946	-	-	996	394	6,411	-	
Contributed Capital	-	-	-	-	-	-	-	-	-	-	-	-	
Total Revenue	2,607,316	570,434	2,232,770	871,897	1,902,260	2,729,227	126,186	164,812	123,928	135,374	11,464,204	16,709,993	
Expenses													
Personnel costs	1,099,506	227,138	65,312	245,173	375,518	559,347	5,823	6,495	5,939	6,774	2,597,025	2,871,965	
Grants	55,633	158,570	-	82,735	765,759	13,467	-	-	-	-	1,076,164	1,169,605	
General goods and services	474,259	125,297	2,155,101	434,244	493,624	1,498,378	90,264	148,694	58,933	78,940	5,557,734	7,811,462	
Debt charges	10,378	-	-	3,885	3,850	37,255	6,478	-	3,603	2,057	67,507	-	
Transfers to other local government	-	-	-	-	-	-	-	-	-	-	-	-	
Amortization of tangible capital assets	46,824	13,625	19,696	147,701	114,026	223,030	20,810	248	45,204	54,933	686,097	-	
Landfill closure/post closure allowances	-	-	69,558	-	-	-	-	-	-	-	69,558	-	
Total Expenses	1,686,600	524,631	2,309,666	913,738	1,752,776	2,331,477	123,376	155,437	113,679	142,704	10,054,084	11,853,032	
Annual Surplus (Deficit)	\$ 920,715	\$ 45,804	\$ (76,896)	\$ (41,841)	\$ 149,484	\$ 397,751	\$ 2,810	\$ 9,375	\$ 10,249	\$ (7,331)	\$ 1,410,120	\$ 4,856,961	