

REGIONAL DISTRICT OF BULKLEY-NECHAKO

FINANCIAL STATEMENTS

December 31, 2020

REGIONAL DISTRICT OF BULKLEY-NECHAKO

FINANCIAL STATEMENTS

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REGIONAL DISTRICT
 OF BULKLEY-NECHAKO

“A WORLD OF OPPORTUNITIES WITHIN OUR REGION”

Management’s Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management’s responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 1 to the financial statements. 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 is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed 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.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal financial statements on a quarterly basis and external audited financial statements yearly. The Board also discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, Beswick Hildebrandt Lund Chartered Professional Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Regional District of Bulkley-Nechako and meet when required. The accompanying Auditor’s Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Regional District of Bulkley-Nechako

John Illes
 Chief Financial Officer

Gerry Thiessen
 Chairperson



CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Regional District of Bulkley-Nechako

Opinion

We have audited the financial statements of Regional District of Bulkley-Nechako (the Entity), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standard.

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 Entity 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 the financial statements in accordance with PSAS, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Partners

Allison Beswick CPA, CA
Norm Hildebrandt CPA, CA
Robin Lund CPA, CGA

Dane Soares CPA
Taylor Turkington CPA

Beswick Hildebrandt Lund CPA
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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 Entity'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 Entity'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 Entity 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

Beswick Hildebrandt Lund

Chartered Professional Accountants

Prince George, British Columbia

May 13, 2021

REGIONAL DISTRICT OF BULKLEY-NECHAKO

STATEMENT OF FINANCIAL POSITION

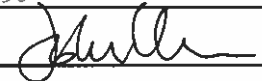
December 31, 2020

	<u>2020</u>	<u>2019</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 19,344,017	\$ 16,481,561
Accounts receivable	1,327,815	460,733
Grants receivable	251,685	393,671
Investments (Note 3)	89	89
Debt Reserve Fund - Municipal Finance Authority (Note 4)	146,857	168,247
Debentures recoverable from municipalities (Note 5)	<u>8,505,713</u>	<u>9,065,323</u>
	<u>29,576,176</u>	<u>26,569,624</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6, 10 and 11)	4,761,746	4,157,098
Deferred revenue (Note 7)	10,629,300	9,987,829
Debt Reserve Fund - Municipal Finance Authority (Note 4)	146,857	168,247
Debentures issued for municipalities (Note 5)	8,505,713	9,065,323
Debentures issued for the Regional District (Note 9)	<u>385,720</u>	<u>821,397</u>
	<u>24,429,336</u>	<u>24,199,894</u>
NET FINANCIAL ASSETS	<u>5,146,840</u>	<u>2,369,730</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 3)	19,062,399	18,019,980
Prepaid expenses	<u>90,109</u>	<u>86,877</u>
	<u>19,152,508</u>	<u>18,106,857</u>
ACCUMULATED SURPLUS (Note 13)	<u>\$ 24,299,348</u>	<u>\$ 20,476,587</u>

CONTINGENCIES (Note 10)

Approved by the Board:

 Chairperson

 Chief Financial Officer

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

STATEMENT OF OPERATIONS

For the year ended December 31, 2020

	2020		2019
	Budget (Note 14)	Actual	Actual
REVENUE			
Property tax requisition			
Electoral area	\$ 6,718,471	\$ 6,719,252	\$ 6,422,148
Municipal	4,154,108	4,138,189	3,955,250
	10,872,579	10,857,441	10,377,398
Grants-in-lieu of taxes	611,378	1,123,533	1,081,160
Federal grants - conditional	1,444,237	699,720	977,941
Fees and permits	983,937	1,239,094	898,553
Municipal debt payments (Note 5)	872,885	782,716	813,443
Provincial grants - northern capital	-	1,780,841	803,898
Provincial grants - unconditional	185,000	185,000	317,554
Other grants - conditional	169,584	726,021	313,117
Emergency expenditure recoveries	600,000	(101)	235,859
Provincial grants - conditional	188,860	-	227,502
Interest	40,500	304,272	219,089
Municipal cost sharing	193,986	183,986	178,098
Sundry	83,609	1,086,416	133,867
Administration recoveries	42,210	16,770	18,484
Donations	40,000	260,600	54,773
Debt sinking fund actuarial earnings (Note 9)	-	29,621	40,724
Investment income	-	12,680	12,680
	16,328,765	19,288,610	16,704,140
EXPENSES (Schedule 1) (Note 16)			
Environmental services	4,410,666	5,107,855	4,282,381
Government - general, rural and local commission	4,025,687	2,906,884	3,349,216
Recreation and culture	2,580,932	2,557,440	2,442,718
Fire protection and emergency response	2,814,102	2,108,826	2,019,249
Building inspection, building numbering, planning and development services	1,343,966	1,188,886	1,094,434
Economic development	629,476	374,803	560,444
Municipal debt payments (Note 5)	-	772,885	813,443
Street lighting and transportation	341,685	293,409	336,222
Sewer and water	147,185	154,861	176,830
	16,293,699	15,465,849	15,074,937
ANNUAL SURPLUS	35,066	3,822,761	1,629,203
ACCUMULATED SURPLUS - BEGINNING OF YEAR	20,476,587	20,476,587	18,847,384
ACCUMULATED SURPLUS - END OF YEAR (Note 13)	\$ 20,511,653	\$ 24,299,348	\$ 20,476,587

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2020

	<u>2020</u>		<u>2019</u>
	<u>Budget</u> <u>(Note 14)</u>	<u>Actual</u>	<u>Actual</u>
ANNUAL SURPLUS	\$ 35,066	\$ 3,822,761	\$ 1,629,203
Acquisition of tangible capital assets	(1,975,196)	(2,457,417)	(1,543,988)
Loss on sale of tangible capital assets	-	2,832	(1,660)
Proceeds on sale of tangible capital assets	-	156,708	21,000
Amortization of tangible capital assets	1,180,685	1,255,477	1,145,967
	(759,445)	2,780,361	1,250,522
Net use of (addition to) prepaid expenses	-	(3,251)	(14,371)
CHANGE IN NET FINANCIAL ASSETS	(759,445)	2,777,110	1,236,151
NET FINANCIAL ASSETS AT BEGINNING OF THE YEAR	<u>2,369,730</u>	<u>2,369,730</u>	<u>1,133,579</u>
NET FINANCIAL ASSETS AT END OF THE YEAR	<u>\$ 1,610,285</u>	<u>\$ 5,146,840</u>	<u>\$ 2,369,730</u>

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Annual surplus	\$ 3,822,761	\$ 1,629,203
Add: Non-cash items		
Debt sinking fund actuarial earnings (Note 9)	(29,621)	(40,724)
Amortization of tangible capital assets	1,255,477	1,145,967
Loss (gain) on sale of tangible capital assets	2,832	(1,660)
	<u>5,051,449</u>	<u>2,732,786</u>
Changes in non-cash working capital:		
Accounts receivable	(867,082)	50,391
Grants receivable	141,986	1,614,731
Accounts payable and accrued liabilities	604,648	(330,079)
Deferred revenue	641,471	5,912,475
Prepaid expenses	(3,232)	(14,371)
	<u>5,569,240</u>	<u>9,965,933</u>
FINANCING ACTIVITIES		
Repayments from Debt Reserve Fund - Municipal Finance Authority	-	21,860
Debt repayments	(406,075)	(431,472)
	<u>(406,075)</u>	<u>(409,612)</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(2,457,417)	(1,543,988)
Proceeds on disposal of tangible capital assets	156,708	21,000
	<u>(2,300,709)</u>	<u>(1,522,988)</u>
INCREASE (DECREASE) DURING THE YEAR	2,862,456	8,033,333
CASH AT BEGINNING OF THE YEAR	16,481,561	8,448,228
CASH AT END OF THE YEAR	\$ 19,344,017	\$ 16,481,561

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

The Regional District of Bulkley-Nechako ("the Regional District") was incorporated as a Regional District on February 1, 1966 under the Municipal Act (replaced by the Local Government Act) of British Columbia. The Regional District provides a political and administrative framework for region-wide, inter-municipal and sub-regional services and acts as the local government for electoral areas.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS).

Funds and reserves

Certain amounts, as approved by the Board of Directors, through a bylaw, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development improvement or betterment of the asset. Costs include overhead directly attributable to construction and development but exclude interest costs directly attributable to the acquisition or construction of the asset.

Contributed tangible capital assets are recorded into revenues at their fair market value on the date of donation, except in circumstances where there are stipulations on their use or where fair value cannot be reasonably determined, in which case they are recognized at a nominal value.

The cost, less residual value, or the tangible capital assets, excluding land, is amortized on a straight-line basis over the estimated useful life of the asset.

Buildings	40-50 years
Water and waste systems	50 years
Heavy vehicles	10-20 years
Passenger vehicles	6-10 years
Other equipment	5-10 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Regional District's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Assets under construction are not amortized until the asset is available for productive use.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue recognition

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

Tax revenue from local government requisitions are recognized in the year levied, provided that the effective date of tax has passed and the related bylaws have been approved by the Board of Directors.

Government transfers are recognized as revenues 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 in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor and are recognized as revenue when used for the specific purpose. Restricted contributions that must be maintained in perpetuity are recorded as revenue when received or receivable and are presented as non-financial assets in the statement of financial position.

Grants received from the Federal Gas Tax Agreement and Northern Capital Planning Grant Agreement are each contributed to a designated reserve and recorded as revenue in the year amounts are expended on qualifying projects.

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

Unfunded landfill liability

The landfill for closure of operational sites and post-closure care has been recognized based on estimated future expenses, estimated for inflation and the usage of the sites capacity during the year. The change in this liability during the year is recorded as a charge to operations. These estimates are reviewed and adjusted annually.

Measurement uncertainty

The preparation of the financial statements in accordance with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the year. These estimates and assumptions are based on management's judgement and the best information available at the time of preparation and may differ significantly from actual results. Estimates are reviewed periodically or as new information becomes available, by management, and as adjustments become necessary, they are reported in earnings in the period in which they become known. Significant estimates include the determination of the useful life of tangible capital assets, valuation of the landfill closure and post-closure obligation, and provisions for contingencies.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Financial instruments

Measurement of financial instruments

The Regional District initially measures its financial assets and financial liabilities at fair value. The Regional District subsequently measures all its financial assets and financial liabilities at cost.

Financial assets measured at cost include cash and cash equivalents, accounts receivable, cash deposits included in the debt reserve fund – Municipal Finance Authority, investments, and debentures recoverable from municipalities.

Financial liabilities measured at cost include accounts payable and accrued liabilities, debentures issued for municipalities, debentures issued for the Regional District, and financial liabilities included in the debt reserve fund –Municipal Finance Authority.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The Regional District recognizes its transaction costs in net income in the period incurred. However, the carrying amount of the financial instruments that will not be subsequently measured at fair value is reflected in the transaction costs that are directly attributable to their origination, issuance or assumption.

Investments

Investments are reported at cost or amortized cost less any write-downs associated with a loss in value that is other than a temporary decline.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

2. CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
Bank accounts	\$ 8,930,982	\$ 8,706,458
Petty cash	400	650
Guaranteed investment certificates	<u>10,412,635</u>	<u>7,774,453</u>
	<u>\$ 19,344,017</u>	<u>\$ 16,481,561</u>

Cash and cash equivalents consist unrestricted cash and fixed income guaranteed investment certificates, which have a maturity of one year or less, and are carried at market value which approximates cost. For the year ended December 31, 2020, the guaranteed investment certificate interest rates ranged between 1.15% to 2.54% (2019 – ranged between 2.45% to 2.71%).

3. INVESTMENTS

The Regional District has a 9% interest in the Chinook Comfor Limited Partnership and Chinook Comfor Ltd.

4. DEBT RESERVE FUND – MUNICIPAL FINANCE AUTHORITY

The Regional District issues debt instruments through the Municipal Finance Authority of British Columbia ("MFA"), and as a condition of borrowing, one percent of the debenture proceeds is withheld as a debt reserve fund. The Regional District also executes demand notes in connection with each debenture whereby the Regional District could be required to pay certain amounts to MFA in excess of the debt borrowed. The demand notes are contingent in nature, and it is unlikely that they will be called; therefore, a liability has not been reported in the financial statements (see note 10).

The Regional District reports the debt reserve fund balances for both debts issued on its behalf, and on behalf of member municipalities, as a financial asset. Because all debt reserve fund refunds received on behalf of Municipal borrowing are repayable to those Municipalities, the Municipal portion of the Debt Reserve Fund balances are also reported as a financial liability.

5. DEBT RECOVERABLE FROM MUNICIPALITIES

When a member Municipality within the Regional District wishes to issue debenture debt through the Municipal Finance Authority of British Columbia ("MFA"), the borrowing is done through the Regional District. The Regional District is therefore responsible for repayment of the debt to MFA. When payments (interest and sinking fund or principal) are made on this debt, the Regional District pays MFA and is in turn reimbursed by the Municipality.

The Regional District therefore reports the net outstanding debt borrowed on behalf of Municipalities as both a financial liability and a financial asset.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

5. DEBT RECOVERABLE FROM MUNICIPALITIES, continued

Service borrowing was incurred for:	Originally Borrowed		Year of Maturity	Current Rate of Interest	Net Debt Outstanding	
	Year	Amount			2020	2019
Vanderhoof Issue 145	2018	1,000,000	2038	3.15%	924,452	962,784
Smithers Issue 142	2017	3,000,000	2037	3.15%	2,654,910	2,773,356
Vanderhoof Issue 142	2017	2,000,000	2037	3.15%	1,769,940	1,848,904
Smithers Issue 127	2013	650,000	2034	3.30%	505,215	531,772
Fort St. James Issue 124	2013	304,879	2033	3.15%	224,013	236,968
Smithers Issue 124	2012	147,639	2033	3.15%	108,480	114,753
Fort St. James Issue 124	2013	121,952	2028	3.15%	73,848	81,554
Smithers Issue 116	2011	800,000	2026	4.20%	377,187	431,865
Smithers Issue 110	2010	17,172	2020	4.50%	-	2,036
Houston Issue 99	2006	2,407,125	2032	1.75%	1,349,856	1,446,097
Smithers Issue 81	2004	500,000	2024	2.40%	142,268	173,704
Smithers Issue 79	2003	500,000	2023	2.10%	109,260	142,268
Smithers Issue 77	2002	500,000	2022	1.75%	74,602	109,260
Granisle 149	2019	210,000	2029	2.24%	191,682	210,000
		<u>\$ 12,158,767</u>			<u>\$ 8,505,713</u>	<u>\$ 9,065,323</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trade payables	\$ 812,797	\$ 633,178
Vacation accrual	175,355	200,123
Sick leave accrual (Note 10)	316,353	303,254
Retirement accrual (Note 10)	184,245	164,624
Accrued debenture interest	2,384	8,884
Landfill closure cost accrual (Note 12)	3,270,612	2,847,035
	<u>\$ 4,761,746</u>	<u>\$ 4,157,098</u>

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

7. DEFERRED REVENUE

	<u>2020</u>	<u>2019</u>
Government transfers - Northern Capital Planning Grant	\$ 4,888,510	\$ 4,996,102
Government transfers - Federal Gas Tax Reserve	5,229,104	4,969,789
Government transfers - COVID Restart Grant	482,628	-
Government transfers - Provincial	1,989	1,989
Government transfers - Municipal	17,069	9,949
Other	10,000	10,000
	<u>\$ 10,629,300</u>	<u>\$ 9,987,829</u>

Government transfers – Federal Gas Tax Reserve

Gas Tax funding is provided by the Government of Canada. The use of the funding is established by funding agreement between the Regional District and the Union of British Columbia Municipalities. Gas Tax funding may be used towards qualifying expenditures as specified in the funding agreement. The Regional District maintains the amounts in a statutory reserve.

	<u>2020</u>	<u>2019</u>
Opening balance	\$ 4,969,789	\$ 4,058,894
Add: Amounts received in the year	858,116	1,780,558
Interest earned	100,919	108,278
	<u>959,035</u>	<u>1,888,836</u>
Less: Amounts spent in the year	<u>(699,720)</u>	<u>(977,941)</u>
Closing balance	<u>\$ 5,229,104</u>	<u>\$ 4,969,789</u>

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

7. DEFERRED REVENUE, continued

Government transfers – Northern Capital Planning Grant

Northern Capital and Planning funding is provided by the Province of British Columbia. The Northern Capital and Planning funding may be used towards infrastructure and eligible projects include engineering, infrastructure planning, pipes, wells, treatment facilities, building, roads, machinery, equipment, vehicles, and other associated capital that are owned and controlled by the Regional District. This can also include the cost of land associated with developing the above capital investment.

	<u>2020</u>	<u>2019</u>
Opening balance	<u>\$ 4,996,102</u>	<u>\$ -</u>
Add: Amounts received in the year	<u>1,565,000</u>	<u>5,800,000</u>
Interest earned	<u>108,249</u>	<u>-</u>
	<u>1,673,249</u>	<u>5,800,000</u>
Less: Amounts spent in the year	<u>(1,780,841)</u>	<u>(803,898)</u>
Closing balance	<u>\$ 4,888,510</u>	<u>\$ 4,996,102</u>

The Northern Capital Planning Grant is broken into the following reserves:

<u>Reserve</u>	<u>Initial Allocation</u>	<u>Planning Expenses</u>	<u>Capital Expenses</u>	<u>Total Interest</u>	<u>December 31, 2020 Balance</u>
General Administration	\$ 1,019,248	\$ 338,122	\$ 107,943	\$ 15,328	\$ 588,511
Clucluz Lake Fire Service	623,068	31,008		6999	599,059
Protective Services	1,375,000	20,663	189,127	27573	1,192,783
Glacier Gulch Water Diversion	30,000	-	-	664	30,664
Round Lake Fires Service	10,000	-	-	221	10,221
Luck Bay Fire Service	60,000	-	-	664	60,664
Fort Fraser Fire	186,595	-	-	2066	188,661
Economic Development	185,273	-	-	4103	189,376
Regional Parks and Trails	1,055,345	-	500,575	10240	565,010
Environmental Service	2,394,843		1,397,302	30966	1,028,507
Fort Fraser Water and Sewer Utilities	425,628	-	-	9426	435,054
	<u>\$ 7,365,000</u>	<u>\$ 389,793</u>	<u>\$ 2,194,947</u>	<u>\$ 108,250</u>	<u>\$ 4,888,510</u>

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

7. DEFERRED REVENUE, continued

Government transfers – COVID Restart Grant

COVID Restart funding is provided by the Government of Canada. The use of the funding is established by funding agreement between the Regional District and the Union of British Columbia Municipalities. COVID Restart funding may be used towards qualifying expenditures as specified in the funding agreement.

	<u>2020</u>	<u>2019</u>
Opening balance	\$ -	\$ -
Add: Amounts received in the year	583,000	-
Interest earned	-	-
	<u>583,000</u>	<u>-</u>
Less: Amounts spent in the year	<u>(100,372)</u>	<u>-</u>
Closing balance	<u>\$ 482,628</u>	<u>\$ -</u>

8. CREDIT FACILITY

The Regional District has available on an authorized operating line of credit to a maximum of \$400,000. This facility bears interest at prime rate (December 31, 2020 - 2.45%, December 31, 2019 – 2.45%) and is secured by the current borrowing resolution. The facility remained unused at year end.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

9. DEBENTURES ISSUED FOR THE REGIONAL DISTRICT, continued

Scheduled debt repayments may be suspended in the event of excess sinking fund earnings within the MFA.

Principal paid during 2020 was \$406,075 (2019 - \$431,471). Interest paid during 2020 was \$40,659 (2019 - \$67,167).

The MFA performs a rate reset on long-term loans each 5 year period beginning after the first 10 year term; therefore, interest rates on long-term debt are subject to change.

Actuarial earnings received during 2020 was \$29,621 (2019 - \$40,724). Future principal payments, including sinking fund additions, on existing debt are as follows:

2021	\$	14,801
2022		14,801
2023		14,801
2024		14,801
2025		14,801
Thereafter		311,715
	\$	385,720

10. CONTINGENCIES

Municipal Finance Authority Demand Notes

The Regional District is contingently liable to the Municipal Finance Authority of British Columbia ("MFA") in excess of the amounts borrowed under the terms of demand notes issued to MFA.

Member municipalities have signed offsetting demand notes to the Regional District for borrowing made on their behalf. The amounts are as follows:

	2020	2019
Demand Notes Outstanding:		
Borrowing on behalf of member municipalities	\$ 320,379	\$ 321,309
Borrowing for Regional District purposes	9,332	46,278
	\$ 329,711	\$ 367,587

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

10. CONTINGENCIES, continued

Employee Sick Leave

The Regional District is contingently liable to pay its employees sick leave. The total maximum value of the accumulated sick time is \$435,344 at December 31, 2020 (2019 - \$487,075). As at year end an amount of \$316,353 (2019 - \$303,254) has been recognized as a liability, representing the estimated future usage of accumulated sick days.

Employee Retiring Allowance

The Regional District is contingently liable to pay employees one week salary for every year of employment to a maximum of 13 weeks upon normal retirement from the Regional District. The total value of this retiring allowance is \$225,770 at December 31, 2020 (2019 - \$225,770). As at year end an amount of \$184,245 (2019 - \$164,264) has been accrued as an estimate of the liability.

11. MUNICIPAL PENSION PLAN

The Regional District 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 actuarial valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Regional District paid \$333,867 (2019 - \$309,682) 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 BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

12. UNDERFUNDED LIABILITY FOR LANDFILL CLOSURE COSTS

British Columbia environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure and post closure activities for 30 years after closure using a discount rate of 3.0% which is net of projected annual inflation.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. Management had a closure cost evaluation completed in the year which resulted in updated information for management's landfill closure cost estimate.

The Knockholt landfill has been divided into six phases with only the first three phases being utilized. The total capacity of the Knockholt landfill is estimated at 1,998,500 cubic metres, with a total usage of 263,162 cubic metres of the first three phases. Phase one and two are at 90% and 93% capacity respectively and are expected to reach capacity by 2021. The capacity of Knockholt landfill was remeasured during the year ended December 31, 2019 and was increased from 420,000 to 469,898 cubic meters. The total capacity of phase three of the Knockholt landfill is estimated at 469,898 cubic meters with a total usage of 78,997 cubic metres. Phase 3B and 3C remain undeveloped. Phase three is expected to reach capacity in 2038. The existing landfill site was originally expected to reach capacity approximately in the year 2076 and has been estimated to last past 2096 because of refined estimates for utilization based on current landfill rates.

The Clearview landfill has been divided into four phases with only the first phase being utilized. The total capacity of the Clearview landfill is estimated at 1,157,600 cubic meters with a total usage of 128,686 cubic metres of the first phase. Phase one has a developed capacity of 238,000 and is expected to reach capacity in 2030. The existing landfill site is expected to reach capacity approximately in the year 2106.

Considerable uncertainty exists with these estimations. The long time span for full site utilization combined with predicting costs that will be paid in far future years relies on a large number of assumptions including the certainty of current environmental legislation, a predictable rate of inflation for costs associated with landfill work and engineering, and an even flow of waste landfilled each year. Landfilling estimates do not include allowances for population change, change in landfilling from industrial sites (such as industrial camps), the possible diversion from recycling programs currently increasing and those being developed, and the diversion potential from composting programs.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

12. UNDERFUNDED LIABILITY FOR LANDFILL CLOSURE COSTS, continued

	<u>2020</u>	<u>2019</u>
Knockholt Landfill Phase One, Two, and Three		
Estimated closure costs	\$ 764,439	\$ 568,152
Estimated post-closure costs	<u>1,923,865</u>	<u>1,157,717</u>
	2,688,304	1,725,869
Estimated capacity used	<u>16%</u>	<u>12%</u>
Accrued liability for Knockholt landfill	<u>424,701</u>	<u>204,597</u>
Clearview Landfill Phase One		
Estimated closure costs	612,833	602,707
Estimated post-closure costs	<u>1,923,865</u>	<u>1,157,717</u>
	2,536,698	1,760,424
Estimated capacity used	<u>21%</u>	<u>21%</u>
Accrued liability for Clearview landfill	<u>544,479</u>	<u>369,386</u>
Inactive sites closure estimates	<u>2,301,432</u>	<u>2,273,052</u>
Total closure and post-closure liability	<u>\$ 3,270,612</u>	<u>\$ 2,847,035</u>

The liability expense of \$3,270,612 is unfunded as at December 31, 2020. The Regional District has established Landfill Closure and Post-Closure Reserve Funds that is restricted for purposes of funding landfill closure and post-closure costs. As at December 31, 2020, the Landfill Closure and Post-Closure Reserve Funds have a balance of \$394,253 (2019 - \$390,841).

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

13. ALLOCATION OF ACCUMULATED SURPLUS

The accumulated surplus at the end of the year is comprised of the following Funds:

	2020	2019
Operating	\$ 19,610,051	\$ 16,169,323
Reserves	4,689,297	4,307,264
	\$ 24,299,348	\$ 20,476,587

14. BUDGET

The budget figures included in these financial statements represent the Financial Plan adopted by the Board of Directors on March 19, 2020. Subsequent amendments to the budget bylaw are not reflected in the budget figures.

The Financial Plan adopted by the Board of Directors was prepared on a modified accrual basis while the financial statements are prepared on a full accrual basis as required by PSAS. The Financial Plan anticipated the use of surpluses accumulated in prior years to supplement current year revenues. In addition, the Financial Plan expensed tangible capital asset expenditures, debt re-payments and reserve transfers.

The following is a reconciliation between the budgeted amounts approved in the Financial Plan and presented in the financial statements:

	2020
Budgeted surplus per statement of financial activities	\$ 35,066
Less: Capital expenditures	(1,975,196)
Debt principal repayments	(1,315,774)
Amortization	(1,180,685)
Prior year net deficits	(399)
	(4,436,988)
Add: Prior year net surplus	2,475,964
Withdrawals from capital reserves	777,351
Transfer from equity in tangible capital assets	1,183,673
	4,436,988
	\$ -

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

15. FINANCIAL INSTRUMENTS

The Regional District's financial instruments are comprised of cash, temporary investments, accounts receivable, debt reserve funds –Municipal Finance Authority, debentures recoverable from municipalities, accounts payable and accrued liabilities, debentures issued for municipalities, and debentures issued for the Regional District.

Liquidity risk

Liquidity risk is the risk that the Regional District will encounter difficulty in meeting obligations associated with financial liabilities. The Regional District is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, debentures issued for municipalities and debentures issued for the Regional District. The Regional District manages this risk by holding a sufficient amount of funds in highly liquid investments, and closely monitoring cash flows.

Credit risk

Credit risk is the risk that the Regional District will incur financial losses if a debtor fails to make payments when due. The Regional District is exposed to credit risk on its debenture recoverable from municipalities and accounts receivable. Risk in respect to the debentures recoverable from municipalities is managed primarily by the policies put in place by the Municipal Finance Authority of British Columbia ("MFA"). The maximum exposure to credit risk in respect to accounts receivable is limited to the carrying amount of accounts receivable, which is managed by credit policies such as limiting the amount of credit extended and obtaining security deposits where appropriate.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Regional District is mainly exposed to interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that the Regional District's debt servicing costs and the value of certain investments will fluctuate due to changes in interest rates. In respect of debt servicing costs, the risk is minimal as all of the Regional District's long-term debentures are fixed rate and is usually refinanced every five to ten years as that is when most underlying debentures issued by the MFA mature. Investments subject to interest rate risk include guaranteed investment certificates (Note 3). The amount of risk is minimal due to the short terms of the investments.

16. SEGMENT REPORTING

The Regional District provides services to its members, that have been grouped into related departmental functions or service areas for segment reporting purposes. The various segments are as follows:

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

16. SEGMENT REPORTING, continued

Environmental Services

This segment administers services including solid and liquid waste management, recycling, invasive plant control and developing the Regional District's Corporate Energy and Emissions Plan.

Government – general, rural and local commission

This segment administers services that relate to the legislative function as well as the administrative and financial management of the Regional District.

Recreation and culture

This segment administers services that relate to recreational and cultural, activities and organizations within the Regional District.

Fire protection and emergency response

This segment administers services related to rural fire protection and rescue services, 9-1-1 services, emergency preparedness and support services, and health and safety planning.

Building inspection, building numbering, planning and development services

This segment administers services related to long range and current community planning, geographical information services, building inspections, and bylaw enforcement.

Economic Development

This segment provides economic and community development services including assisting local community groups in accessing funding opportunities for community and economic initiatives.

Municipal Debt Payments

This segment is comprised of debenture debt payments to the Municipal Finance Authority on behalf of other Regional District members.

Street Lighting and Transportation

This segment is comprised of services for street lighting and transportation within the Regional District.

Sewer and Water

This segment is comprised of services for sewer and water treatment within the Regional District.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

17. RELATED PARTY TRANSACTIONS

The Regional District of Bulkley-Nechako and the Regional Hospital District share the same management team but operate under the governance of a different board of directors.

During the year, the Regional District of Bulkley-Nechako provided administration and accounting services of \$15,900 (2019 - \$18,600) to the Regional Hospital District.

As of December 31, 2020, there was an account receivable of \$23,475 (2019 - \$27,625) from the Regional Hospital District to the Regional District of Bulkley-Nechako.

This amount is unsecured, non-interest bearing, with no specific terms of repayment.

18. COMPARATIVE FIGURES

Certain prior year figures, presented for comparative purposes, have been reclassified to conform to the current year's financial statement presentation.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

SCHEDULE OF EXPENSES BY OBJECT

For the year ended December 31, 2020

	<u>2020</u>		<u>2019</u>
	<u>Budget</u> (Note 14)	<u>Actual</u>	<u>Actual</u>
Staff remuneration and benefits	\$ 5,386,656	\$ 5,251,626	\$ 4,575,966
Purchased services and supplies	5,708,148	3,780,775	3,991,725
Payments to societies	2,711,942	2,777,015	2,621,823
Municipal debt payments	-	772,885	813,443
Payments to municipalities	778,860	722,639	774,371
Directors' remuneration	450,802	367,108	421,624
Insurance and permits	204,982	205,608	201,578
Electoral area grants-in-aid	456,272	100,749	156,589
Staff travel, upgrading and conferences	132,250	92,916	121,144
Directors' travel and expenses	158,577	38,315	107,236
Interest on debentures	-	40,970	66,878
Memberships and dues	45,350	41,336	40,141
Interest	11,000	1,649	28,308
Elections, referenda and studies	33,600	1,431	-
Bad debts	-	1,805	4,189
Volunteer benefits	3,765	3,977	3,300
First nations dialogue	211,495	-	-
Rebate program	-	9,568	-
Amortization	-	1,255,477	1,146,622
	<u>\$ 16,293,699</u>	<u>\$ 15,465,849</u>	<u>\$ 15,074,937</u>

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
SCHEDULE OF CONTINUITY OF RESERVE FUNDS

For the year ended December 31, 2020

	<u>2020</u>	<u>2019</u>
BALANCE AT BEGINNING OF THE YEAR	\$ 14,273,155	\$ 7,655,814
Contribution to funds	1,357,348	8,257,049
Interest earned on funds	185,199	211,313
Withdrawals from funds	<u>(1,008,791)</u>	<u>(1,851,021)</u>
BALANCE AT END OF THE YEAR	<u>14,806,911</u>	<u>14,273,155</u>
Less reserves recorded as deferred revenue (Note 7):		
Federal Gas Tax	5,229,104	4,969,789
Northern Capital Planning Grant	<u>4,888,510</u>	<u>4,996,102</u>
	<u>10,117,614</u>	<u>9,965,891</u>
	<u>\$ 4,689,297</u>	<u>\$ 4,307,264</u>
REPRESENTED BY THE FOLLOWING RESERVE FUNDS		
911 Capital	\$ 621,788	\$ 609,930
911 Vehicle	7,698	5,997
Administrative Equipment	29,341	29,701
Administration/Planning Vehicle	82,695	75,612
Building	149,806	122,272
Building Inspection Vehicle	22,375	40,395
Bulkley Valley Pool	2,016,991	1,758,007
Burns Lake Arena	-	137
Burns Lake Rural Fire Protection	-	190
Burns Lake TV Rebroadcasting	51,911	41,050
Election	47,704	46,229
Emergency Prep	64,418	52,617
Environmental Services Vehicle	24,497	24,030
Federal Gas Tax	5,229,104	4,969,789
Fort Fraser Sewer	272,246	241,377
Fort Fraser Rural Fire Protection	120,791	100,720
Fort Fraser Water	115,351	63,788
Fort St. James Rural Fire Protection	65,544	54,423
Glacier Gulch Water Diversion	12,606	7,424
Houston Rural Fire Protection	1,230	16,171
Insurance	65,340	49,242
Lakes District Airport	86,468	84,819
Landfill Capital	394,253	390,841
Luck Bay Rural Fire Protection	51,237	28,544
Northern Capital Planning Grant	4,888,510	4,996,102
Planning Plotter	29,130	25,614
Round Lake Rural Fire Protection	3,055	1,516
Smithers Rural Fire Protection	169,863	156,752
Southside Rural Fire Protection	6,067	127,078
Topley Fire Department	10,007	9,816
Telkwa Rural Fire Protection	59,853	52,789
Vanderhoof Pool	61,872	45,885
Vanderhoof Rural Fire Protection	38,974	38,231
Weed Control Vehicle	<u>6,186</u>	<u>6,067</u>
	<u>14,806,911</u>	<u>14,273,155</u>
Less reserves recorded as deferred revenue (Note 13):		
Federal Gas Tax	5,229,104	4,969,789
Northern Capital Planning Grant	<u>4,888,510</u>	<u>4,996,102</u>
	<u>10,117,614</u>	<u>9,965,891</u>
	<u>\$ 4,689,297</u>	<u>\$ 4,307,264</u>

See notes to the consolidated financial statements.

Regional District of Bulkley-Nechako
STATEMENT OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2020

	Engineered Structures							2019 Total
	Land	Building	Equipment / Vehicles	Water	Sewer	Landfills	Transfer Stations	
COST								
Opening Balance	\$ 294,595	\$ 7,058,236	\$ 7,138,073	\$ 4,824,319	\$ 718,501	\$ 4,731,750	\$ 5,192,690	\$ 29,958,164
Add: Additions	425,613	485,191	1,172,247	-	-	234,734	139,632	2,457,417
Less: Disposals	-	-	326,086	-	-	-	30,000	356,086
Less: Write-downs	-	-	-	-	-	-	-	-
Closing Balance	720,208	7,543,427	7,984,234	4,824,319	718,501	4,966,484	5,302,322	32,059,495
ACCUMULATED AMORTIZATION								
Opening Balance	-	2,854,288	3,851,652	925,578	409,410	1,982,783	1,915,126	11,938,837
Add: Amortization	-	185,034	651,530	90,317	11,065	180,904	136,627	1,255,477
Less: Acc. Amortization on Disposals	-	-	196,018	-	-	-	1,200	197,218
Closing Balance	-	3,039,322	4,307,164	1,015,895	420,475	2,163,687	2,050,553	12,997,096
Net Book Value for year ended December 31, 2020	\$ 720,208	\$ 4,504,105	\$ 3,677,070	\$ 3,808,424	\$ 298,026	\$ 2,802,797	\$ 3,251,769	\$ 19,062,399
Net Book Value for year ended December 31, 2019	\$ 294,595	\$ 4,204,599	\$ 3,286,424	\$ 3,898,738	\$ 309,094	\$ 2,748,969	\$ 3,277,561	\$ 18,019,980

See notes to the consolidated financial statements.