

**REGIONAL DISTRICT OF BULKLEY-NECHAKO
SUPPLEMENTARY AGENDA**

Thursday, May 13, 2021

<u>PAGE NO.</u>	<u>REPORT</u>	<u>ACTION</u>
2-53	John Illes, Chief Financial Officer - Financial Statements for the Year End 2020	Recommendation
	<u>NEW BUSINESS</u>	
	<u>ADJOURNMENT</u>	



Regional District of Bulkley-Nechako Special Board Supplementary

To: Chair Thiessen and Directors
From: John Illes, Chief Financial Officer
Date: May 13, 2021
Re: Financial Statements for the Year End 2020

Recommendation (All/Directors/Majority):

That the Financial Statements for 2020 be approved and that the Chair and Chief Financial Officer be authorized to sign the statements and management representation letter.

Background:

The Local Government Act requires that the Financial Statements of the Regional District be audited annually.

Mr. Taylor Turkington, CPA, the lead auditor for our audit from Beswick Hildebrandt Lund Chartered Professional Accounts will present the audit findings.

With an increase in accumulated surplus in 2020 of nearly \$4 million, 2020 was a good year financially for the Regional District.

Revenue increased in large part due to increased Provincial funding (the Northern Capital and Planning Grant and the COVID relief funds) and the increase in landfilling revenue (especially from several large contaminated soil projects within the Region).

At the same time expenses decreased primarily due to the limitations and difficulties imposed by the pandemic such as a reduction in meeting and travel expenses as staff and Director's moved from in person travel to "Zoom" meetings.

Attachments: **Draft Financial Statements**
Auditor's Finding Letter

REGIONAL DISTRICT OF BULKLEY-NECHAKO
FINANCIAL STATEMENTS
December 31, 2020

DRAFT

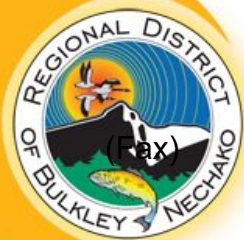
REGIONAL DISTRICT OF BULKLEY-NECHAKO

FINANCIAL STATEMENTS

December 31, 2020

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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

MUNICIPALITIES:

SMITHERS FT. ST. JAMES
VANDERHOOF FRASER LAKE
HOUSTON TELKWA
BURNS LAKE GRANISLE

ELECTORAL AREAS:

A-SMITHERS RURAL F-VANDERHOOF RURAL
B-BURNS LAKE RURAL E-FRANCOIS & OOSTA LAKES
C-FORT ST. JAMES RURAL G-HOUSTON RURAL
D-FRASER LAKE RURAL



CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

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
 556 North Nechako Road, Suite 10,
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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

Chartered Professional Accountants

Prince George, British Columbia

May 13, 2021

DRAFT

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> (Note 14)	<u>Actual</u>	<u>Actual</u>
ANNUAL SURPLUS	\$ 35,066	\$ 3,822,761	\$ 1,629,203
Acquisition of tangible capital assets	(1,896,557)	(2,457,417)	(1,543,988)
Loss on sale of tangible capital assets	-	2,832	(1,660)
Proceeds on sale of tangible capital assets	-	156,689	21,000
Amortization of tangible capital assets	-	1,255,477	1,145,967
	(1,861,491)	2,780,342	1,250,522
Net use of (addition to) prepaid expenses	-	(3,232)	(14,371)
CHANGE IN NET FINANCIAL ASSETS	(1,861,491)	2,777,110	1,236,151
NET FINANCIAL ASSETS AT BEGINNING OF THE YEAR	2,369,730	2,369,730	1,133,579
NET FINANCIAL ASSETS AT END OF THE YEAR	<u>\$ 508,239</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	<u>2,832</u>	<u>(1,660)</u>
	5,051,449	2,732,786
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	<u>(3,232)</u>	<u>(14,371)</u>
	<u>5,569,240</u>	<u>9,965,933</u>
FINANCING ACTIVITIES		
Repayments from Debt Reserve Fund - Municipal Finance Authority	-	21,860
Debt repayments	<u>(406,056)</u>	<u>(431,472)</u>
	<u>(406,056)</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	<u>156,689</u>	<u>21,000</u>
	<u>(2,300,728)</u>	<u>(1,522,988)</u>
INCREASE (DECREASE) DURING THE YEAR	2,862,456	8,033,333
CASH AT BEGINNING OF THE YEAR	<u>16,481,561</u>	<u>8,448,228</u>
CASH AT END OF THE YEAR	<u><u>\$ 19,344,017</u></u>	<u><u>\$ 16,481,561</u></u>

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, of 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, continuedRevenue 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	\$ 4,996,102	\$ -
Add: Amounts received in the year	1,565,000	5,800,000
Interest earned	108,250	-
	<u>1,673,250</u>	<u>5,800,000</u>
Less: Amounts spent in the year	<u>(1,780,842)</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	-
	<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

The Regional District issues debt instruments through the Municipal Finance Authority of British Columbia ("MFA"), pursuant to security issuing bylaws, under authority of the Community Charter, to finance certain capital expenditures. The debt is issued on a sinking fund basis, whereby MFA invests the Regional District's principal payments so that the payments plus investment income, will equal the original outstanding debt amount at the end of the repayment period. Actuarial earnings on debt represent the repayment and/or forgiveness of debt by the MFA using surplus investment income generated by the principal payments. Gross amount of debt and the repayment and actuarial earnings to retire the debt are as follows:

Service borrowing was incurred for:	Originally Borrowed		Year of Maturity	Current Rate of Interest	Repayment & Actuarial Earnings	2020 Principal Repayment	Net Debt Outstanding	
	Year	Amount					2020	2019
Environmental Services	2010	729,517	2020	3.73%	668,755	60,762	-	86,483
Round Lake Fire Protection	2017	14,909	2037	3.15%	1,160	555	13,194	13,765
Luck Bay Fire Protection	2006	125,000	2026	1.75%	72,586	4,198	48,216	55,205
Luck Bay Fire Protection	2010	10,000	2030	3.73%	3,696	6,304	-	6,446
Environmental Services	2015	1,547,000	2020	2.55%	1,289,842	257,158	-	257,158
Baker Airport	2016	167,625	2021	2.58%	100,575	67,050	-	67,050
Topley Rural Fire Protection	2016	366,348	2041	2.10%	31,990	10,048	324,310	335,290
		<u>\$ 2,960,399</u>			<u>\$ 2,168,604</u>	<u>\$ 406,075</u>	<u>\$ 385,720</u>	<u>\$ 821,397</u>

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	<u>311,715</u>
	<u>\$ 385,720</u>

10. CONTINGENCIESMunicipal 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:

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

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

10. CONTINGENCIES, continuedEmployee 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 2020. 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 34,898 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 104,540 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:

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

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:

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

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.

DRAFT

REGIONAL DISTRICT OF BULKLEY-NECHAKO

SCHEDULE OF EXPENSES BY OBJECT

For the year ended December 31, 2020

	2020		2019
	<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	14,806,911	14,273,155
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>
	10,117,614	9,965,891
	<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>
	14,806,911	14,273,155
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>
	10,117,614	9,965,891
	<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							2020 Total	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	\$ 28,470,879
Add: Additions	425,613	485,191	1,172,247	-	-	234,734	139,632	2,457,417	1,543,988
Less: Disposals	-	-	326,086	-	-	-	30,000	356,086	56,703
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	29,958,164
ACCUMULATED AMORTIZATION									
Opening Balance	-	2,854,288	3,851,652	925,578	409,410	1,982,783	1,915,126	11,938,837	10,829,580
Add: Amortization	-	185,034	651,530	90,317	11,065	180,904	136,627	1,255,477	1,145,967
Less: Acc. Amortization on Disposals	-	-	196,018	-	-	-	1,200	197,218	37,363
Closing Balance	-	3,039,322	4,307,164	1,015,895	420,475	2,163,687	2,050,553	12,997,096	11,938,184
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.

Regional District of Bulkley-Nechako

**Year-End Audit Findings Report
to Board of Directors**

**For the year ending
December 31, 2020**

Prepared as of May 7, 2021



CHARTERED PROFESSIONAL ACCOUNTANTS

May 7, 2021

Board of Directors
Regional District of Bulkley-Nechako
PO Box 820
Burns Lake, BC
V0J 1E0

Dear Board of Directors:

Re: Audit Findings

We prepared the accompanying report to assist you in your review of the financial statements of Regional District of Bulkley-Nechako for the year ending December 31, 2020. The report includes a discussion on the significant accounting and financial reporting matters dealt with during the audit process as well as communications required by Canadian generally accepted auditing standards.

We have substantially completed our audit of the financial statements of Regional District of Bulkley-Nechako (the entity) prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) for the year ended December 31, 2020. We propose to issue our auditor's report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included as Appendix A.

We look forward to meeting with you and discussing the matters outlined below.

We would like to express our sincere thanks to the management and staff of the entity who have assisted us in carrying out our work. If you have any questions or concerns, please do not hesitate to contact us.

Yours very truly,

Taylor Turkington CPA
Partner

c.c: John Illes, Chief Financial Officer

Partners

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

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CHARTERED PROFESSIONAL ACCOUNTANTS

Audit Status

We have completed the audit of the financial statements, with the exception of the following items:

- Receipt of a signed management representation letter by management;
- Completing our discussions with the Board of Directors ;
- Obtaining evidence of the Board's approval of the financial statements;

Once these items have been completed, we will date and sign our auditor's report.

Significant Risks

We identified the following significant risks in our planning letter dated April 14, 2021:

- Revenue recognition
- Management Override of Controls
- Estimates - Landfill closure and post-closure costs

We executed the proposed audit responses to the significant risks identified above, as noted in our planning letter, and we have no issues to report.

Significant Matters Arising

Changes to Audit Plan

There were no changes to the audit plan (as previously presented to you).

Other Matters

We have not identified any other significant matters that we wish to bring to your attention at this time.

Significant Difficulties Encountered

There were no significant difficulties encountered during our audit.

Comments on Accounting Practices

Accounting Policies

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The significant accounting policies used by the entity are outlined in Note 1 to the financial statements.



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- There were no significant changes in accounting policies.
- We did not identify any alternative accounting policies that would have been more appropriate in the circumstances.
- We did not identify any significant accounting policies in controversial or emerging areas.

Significant Accounting Estimates

Management is responsible for the accounting estimates included in financial statements. Estimates and the related judgments and assumptions are based on management's knowledge of the business and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- Calculation of accounting estimates;
- Analyzing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

The following significant estimates/judgments are contained in the financial statements:

- Landfill closure cost accrual

Based on audit work performed, we are satisfied with the estimates made by management.

Significant Financial Statement Disclosures

We did not identify any financial statement disclosures that are particularly significant, sensitive or require significant judgments, that we believe should be specifically drawn to your attention.



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Uncorrected Misstatements

We accumulated uncorrected misstatements that we identified during our audit and communicated them to management. We then requested that management correct these misstatements. All uncorrected misstatements for the current year have been corrected.

Significant Deficiencies in Internal Control

A deficiency in internal control exists when a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis, or when a control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.

A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the of those charged with governance.

To identify and assess the risks of material misstatement in the financial statements, we are required to obtain an understanding of internal control relevant to the audit. This understanding is used for the limited purpose of designing appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control and, as a result, we do not express any such opinion. The limited purpose also means that there can be no assurance that all significant deficiencies in internal control, or any other control deficiencies, will be identified during our audit.

We did not identify any control deficiencies that, in our judgment, would be considered significant deficiencies.

Written Representations

In a separate communication, as attached in Appendix B, we have requested a number of written representations from management in respect to their responsibility for the preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS).

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the entity's financial statements or auditor's report. Disagreements may arise over:

- Selection or application of accounting principles;
- Assumptions and related judgments for accounting estimates;
- Financial statement disclosures;



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- Scope of the audit; or
- Wording of the auditor's report.

We are pleased to inform you that we had no disagreements with management during the course of our audit.

Consultation with Other Accountants (Second Opinions)

Management may consult with other accountants about auditing and accounting matters to obtain a "second opinion". When an entity requests that another accountant provide a written report or oral advice on the application of accounting principles to a specific transaction or the type of opinion that may be rendered on the entity's financial statements, we are required to ensure that the accountant has ensured that the reporting accountant has knowledge of all facts and circumstances and has conducted the engagement in accordance with Canadian generally accepted auditing standards on the Reports on the Application of Accounting Principles.

We are not aware of any consultations that have taken place with other accountants.

Independence

We confirm our independence with respect to the entity as of the date of this report.

Other Audit Matters of Governance Interest

We did not identify any other matters to bring to your attention at this time and would be pleased to discuss with you further any matters mentioned above, at your convenience.

We would like to thank management and staff for the assistance they provided to us during the audit.

We hope the information in this audit findings letter will be useful. Should any member of the Board of Directors wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time. We would be pleased to discuss them with you and respond to any questions you may have.

This letter was prepared for the sole use of those charged with governance of Regional District of Bulkley-Nechako to carry out and discharge their responsibilities and is not intended for any other purpose. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to a third party who uses this communication.

Yours very truly,

Beswick Hildebrandt Lund

Beswick Hildebrandt Lund Chartered Professional Accountants



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Appendix A: Audit Report

Please see attached report.



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

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
 556 North Nechako Road, Suite 10,
 Prince George BC, Canada V2K 1A1
 T: +1 250 564 2515, F: +1 250 562 8722

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

Prince George, British Columbia

May 13, 2021

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Appendix B: Management Representation Letter

Please see attached letter.

May 13, 2021

Beswick Hildebrandt Lund Chartered Professional Accountants
556 North Nechako Road, Suite 10
Prince George, British Columbia,
V2K 1A1

Dear Sir/Madame:

This representation letter is provided in connection with your audit of the financial statements of Regional District of Bulkley-Nechako for the year ended December 31, 2020, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian Public Sector Accounting Standards (PSAS).

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of entity personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

Financial Statements

We have fulfilled our responsibilities as set out in the terms of the audit engagement letter dated February 5, 2021 for:

- a. Preparing and fairly presenting the financial statements in accordance with PSAS ;
- b. Providing you with:
 - i. Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as:
 - A. Accounting records, supporting data and other relevant documentation,
 - B. Minutes of meetings (such as shareholders, board of directors and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and
 - C. Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements;
 - ii. Additional information that you have requested from us for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- c. Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and
- d. Designing and implementing such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether

due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

Preparation of Financial Statements

The financial statements are fairly presented in accordance with PSAS, and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which Regional District of Bulkley-Nechako is subject. We have prepared the Regional District of Bulkley-Nechako's financial statements on the basis that the Regional District of Bulkley-Nechako is able to continue as a going concern.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. subledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a statement of financial position account, which should have been written off to a revenue and expense account and vice versa. All intra entity accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

Fraud

We have disclosed to you:

- a. All of our knowledge in relation to actual, alleged or suspected fraud affecting the entity's financial statements involving:
 - i. Management;
 - ii Employees who have significant roles in internal control; or
 - iii. Others where the fraud could have a material effect on the financial statements;
- b. All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;and
- c. The results of our risk assessments regarding possible fraud or error in the financial statements.

Compliance with Laws and Regulations

We have disclosed all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements

There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices. We are up to date with all corporate filings and annual returns. This includes all Canada Revenue Agency GST returns.

Litigation and Claims

All known actual or possible litigation and claims, which existed as at December 31, 2020 or exist now, have been disclosed to you and accounted for and disclosed in accordance with PSAS, whether or not they have been discussed with legal counsel.

Related Parties

We have disclosed to you the identity of all of the entity's related-party relationships and transactions of which we are aware. This includes sales, purchases, loans, transfers of assets, liabilities and services, leasing agreements, guarantees, non-monetary transactions, and transactions for no consideration for the year ended as well as related balances due to or from such parties at the year end. All related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of CPA Canada Public Sector Accounting Handbook, Section PS 2200 (Related Party Disclosures) and we confirm our belief that any receivable balances are fully collectable. The list of related parties attached to this letter as Appendix A accurately and completely describes the Regional District of Bulkley-Nechako's related parties and the relationships with such parties.

Estimates

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with PSAS. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. In particular, we confirm the following:

- The measurement methods are appropriate and consistently applied;
- The significant assumptions used in determining fair value measurements represent our best estimates, are reasonable, appropriate and have been consistently applied;
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements; and
- The significant assumptions used in determining fair value measurements are consistent with the Regional District of Bulkley-Nechako's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with CPA Canada Public Sector Accounting Handbook, Section PS 2130 (Measurement Uncertainty) have been appropriately disclosed, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

Subsequent Events

We have identified all events that occurred between December 31, 2020 and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure as per the requirements of PSAS.

Going Concern

There are no events or conditions that, individually or collectively, may cast significant doubt on the Regional District of Bulkley-Nechako's ability to continue as a going concern.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements (e.g. to dispose of the business or to cease operations).

Commitments and Contingencies

All contractual arrangements entered into by Regional District of Bulkley-Nechako with third parties have been properly reflected in the accounting records or/and, where material (or potentially material) to the financial statements, have been disclosed to you. Regional District of Bulkley-Nechako has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There are no side agreements or other arrangements (either written or oral) undisclosed to you.

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements but have not been disclosed. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

Misstatements and Adjustments

Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the are free from material misstatements, including omissions.

We confirm there are no uncorrected misstatements in the financial statements.

We have reviewed, approved and recorded all of your proposed adjustments, summarized in Appendix B, to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

Other Representations

Accounting Policies

We confirm that we have reviewed the Regional District of Bulkley-Nechako's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in the Regional District of Bulkley-Nechako's particular circumstances.

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous year (except as disclosed in the financial statements).

Internal Control Over Financial Reporting

We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware.

Minutes

All matters requiring disclosure to or approval of Board of Directors the have been brought before them at appropriate meetings and are reflected in the minutes.

Other Information

We confirm to you that we are not required by law, regulation or custom and do not intend to issue a document (which would include or accompany the financial statements and our auditor's report thereon) with information on Regional District of Bulkley-Nechako's operations and the Regional District of Bulkley-Nechako's financial results and financial position as set out in the financial statements.

Assets and Liabilities

We have satisfactory title or control over all assets. We have recorded or disclosed, as appropriate, all liabilities, in accordance with PSAS.

For the following specific representations, the terms "year end" and "year" are defined as each year end and each year respectively, covered by the audit of the financial statements as stated above.

Cash and Banks

The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of the Regional District of Bulkley-Nechako.

All cash balances are under the control of the Regional District of Bulkley-Nechako, free from assignment or other charges, and unrestricted as to use, except as disclosed to you.

The amount shown for cash on hand or in bank accounts excludes trust or other amounts, which are not the property of the Regional District of Bulkley-Nechako.

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line(s) of credit, or similar arrangements have been properly disclosed.

All cash and bank accounts and all other properties and assets of the Regional District of Bulkley-Nechako are included in the financial statements.

Accounts Receivable

All amounts receivable by the Regional District of Bulkley-Nechako were recorded in the books and records.

Receivables classified as current do not include any material amounts that are collectible after one year.

Receivables recorded in the financial statements, represent bona fide claims against debtors for sales or other charges arising on or before the statement of financial position date and are not subject to discount except for normal cash discounts.

Amounts receivable that are non-interest bearing and are expected to be paid more than a year after initial recognition date have been initially recognized at fair value, using an appropriate discount rate, and subsequently measured at amortized cost.

All receivables were free from hypothecation or assignment as security for advances to Regional District of Bulkley-Nechako, except as hereunder stated.

Tangible Capital Assets

All charges to tangible capital asset accounts represented the actual cost of additions or the fair value at the date of contribution. We have provided sufficient information in note 4 to the financial statements for a reader to understand the organization's economic resources held in tangible capital assets.

No material or significant amounts relating to additions or improvements to property, plant and equipment were charged to repairs and maintenance or other expense accounts.

Carrying values of tangible capital assets sold, destroyed, abandoned or otherwise disposed of have been eliminated from the accounts.

We have good and valid title to all items of property and equipment reflected in the accounts relating thereto, and any liens or encumbrances on our assets have been appropriately disclosed in the financial statements.

Tangible capital assets owned by the Regional District of Bulkley-Nechako are being depreciated on a systematic basis over their estimated useful lives and the provision for depreciation was calculated on a basis consistent with that of the previous date.

During the year, we reviewed the appropriateness of the depreciation policy and estimate of useful lives for tangible capital assets, taking into account all pertinent factors. Any changes in our assessment from the prior year have been adequately disclosed and reflected in the financial statements.

We have evaluated tangible capital assets for recoverability in accordance with the provisions of the CPA Canada Public Sector Accounting Handbook, Section PS 3150 (Tangible Capital Assets). There have been no events or changes in circumstances that indicate that any tangible capital assets no longer have any long-term service potential to the organization. Accordingly management was not required to write down any tangible capital assets to their residual values, if any, during the year.

Financial Instruments

We have properly recorded all financial assets of equity instruments quoted on an active market at fair value.

We have evaluated whether there are indicators of impairment for all financial assets measured at cost or amortized cost, and where there has been a significant adverse change in the expected timing or amount of future cash flows from a financial asset or group of similar financial assets, we have assessed whether a reduction in the carrying value is necessary.

Accounts Payable

Accounts payable that are non-interest bearing and are expected to be paid more than a year after the initial recognition date have been classified as long term in the financial statements, initially recognized at fair value, using an appropriate discount rate, and subsequently measured at amortized cost.

Deferred Revenue and Deferred Contributions

All material amounts of deferred revenue and deferred contributions were appropriately recorded in the books and records.

Long-term Debt

All borrowings and financial obligations of the Regional District of Bulkley-Nechako of which we are aware are included in the financial statements as at year end, as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.

Regional District of Bulkley-Nechako has not violated any covenants on its debt during the year. We have fully disclosed to you all covenants and information related to how we determined our compliance with the terms of the covenants.

Revenue Recognition

We have recorded all revenue that met the following criteria:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred, or services have been rendered;
- Price is fixed or determinable; and
- Collectability is reasonably assured.

Government Transfers

Transferring organization

Transfers have only been recognized as an expense in the year the transfer has been authorized and all eligibility criteria have been met by the recipient.

Recipient organization

We have disclosed all significant terms and agreements in respect of transfers received from governments.

Transfers without eligibility criteria or stipulations have been recognized as revenue once the transfer has been authorized.

Transfers with eligibility criteria but without stipulations have been recognized as revenue once the transfer has been authorized and all eligibility criteria have been met.

Transfers with or without eligibility criteria but with stipulations have been recognized as revenue in the year the transfer has been authorized and all eligibility criteria have been met, except when, and to the extent that, the transfer gives rise to an obligation that meets the definition of a liability for the recipient government in accordance with CPA Canada Public Sector Accounting Handbook, Section PS 3200 (Liabilities).

Disclosure

The major kinds of transfers recognized have all been disclosed in the financial statements as well as the nature and terms of liabilities arising from government transfers received.

Segment Reporting

Pursuant to CPA Canada Public Sector Accounting Handbook, Section PS 2700 (Segment Disclosures), in identifying segments, management has considered the definition of a segment and other factors, including:

- the objectives of disclosing financial information by segment;

- the expectations of members of the community and their elected or appointed representatives regarding the key activities and accountabilities of the government;
- the qualitative characteristics of financial reporting as set out in CPA Canada Public Sector Accounting Handbook, Section PS 1000 (Financial Statement Concepts);
- the homogeneous nature of the activities, service delivery, or recipients of the services;
- whether the activities relate to the achievement of common outcomes or services as reflected in government performance reports and plans;
- whether discrete financial information is reported or available; and
- the nature of the relationship between the government and its organizations (within the reporting entity).

The financial statements disclose all the relevant factors used to identify the Regional District of Bulkley-Nechako's reportable segments.

Budgetary Data

We have included budgetary data in our financial statements, which is relevant to the users of financial statements and consistent with that originally planned and approved by Board of Directors on March 19, 2021. Planned results were presented for the same scope of activities and on a basis consistent with that used for actual results.

Yours truly,

John Illes, Chief Financial Officer

Appendix A: Related Parties

See attached proposed related parties summary.

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Appendix A: Related parties listing**Board of Directors**

- Director Clint Lambert, and immediate family
- Mayor Gerry Thiessen, and immediate family
- Director Michael Riis-Christianson, and immediate family
- Director Mark Fisher, and immediate family
- Mayor Sarrah Storey, and immediate family
- Mayor Bob Motion, and immediate family
- Director Thomas Greenaway, and immediate family
- Director Mark Parker, and immediate family
- Mayor Dolores Funk, and immediate family
- Mayor Bradley Layton, and immediate family
- Director Jerry Petersen, and immediate family
- Mayor Gladys Atrill, and immediate family
- Director Christopher Newell, and immediate family
- Mayor Shane Brienen, and immediate family
- Mayor Linda McGuire, and immediate family

Management

- John Illes, Chief Financial Officer, and immediate family
- Curtis Helgesen, Chief Administrative Officer, and immediate family
- Cheryl Anderson, Director of Corporate Services and immediate family

Related party entities:

Stuart-Nechako Regional Hospital District
High Slope Acres
Jeraud Ranch and Farm
Northern Sun Tours Limited