

**Regional District of Central
Kootenay
Financial Statements
For the year ended December 31, 2022**

Regional District of Central Kootenay
Financial Statements
For the year ended December 31, 2022

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the Regional District of Central Kootenay (the "Regional District") are the responsibility of management and have been approved by the Board of Directors of the Regional District.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

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

The Regional District of Central Kootenay is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board of Directors review the Regional District's financial statements and recommend their approval. The Board of Directors meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Board of Directors take this information into consideration when approving the financial statements for issuance to the taxpayers. The Board of Directors also appoint the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the taxpayers. BDO Canada LLP has full access to the Board and management.



Chief Financial Officer



Independent Auditor's Report

To the Members of the Board of Director of the Regional District of Central Kootenay

Opinion

We have audited the financial statements of the Regional District of Central Kootenay (the "Regional District"), which comprise the statement of financial position as at December 31, 2022, and the statement of change in net financial assets (debt), statement of operations, and statement of 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 Regional District as at December 31, 2022, and its results of its changes in net financial assets (debt), operations, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of Schedule 1 on page 26 of these financial statements.

The financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unqualified opinion on those financial statements on August 18, 2022.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Regional District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Regional District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regional District or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

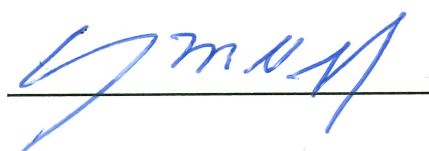
BDO Canada LLP

Chartered Professional Accountants

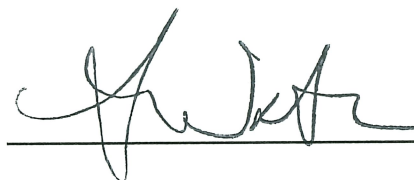
Kamloops, British Columbia
April 26, 2023

Regional District of Central Kootenay
Statement of Financial Position

As at December 31	2022	2021
Financial assets		
Cash (Note 2)	\$ 6,490,521	\$ 5,496,826
Temporary investments (Note 2)	45,418,153	42,993,167
Accounts receivable	2,743,815	4,207,095
Due from member municipalities (Note 11)	19,937,012	20,165,876
Due from member municipalities - accrued interest	214,105	197,353
	74,803,606	73,060,317
Liabilities		
Accounts payable and accrued liabilities	4,555,780	5,232,903
MFA short term financing (Note 6)	5,031,014	2,263,191
Landfill closure and post closure costs accruals (Note 11)	3,680,751	3,851,457
HB Mines- contaminated site liability (Note 14)	3,962,661	5,037,894
Nelson transfer station-contaminated site liability (Note 15)	740,000	740,000
Debenture debt MFA (Note 6)	52,610,058	55,117,218
Equipment financing loans	1,431,587	1,719,023
Deferred revenue (Note 8)	2,315,221	1,938,235
	74,327,072	75,899,921
Net financial assets (debt)	476,534	(2,839,604)
Non-financial assets		
Tangible capital assets (Note 9)	119,194,807	118,205,124
Prepaid expenses	284,603	534,376
	119,479,410	118,739,500
Accumulated surplus (Note 12)	\$119,955,944	\$115,899,896



Chief
Financial
Officer



Chair
of the
Board

Regional District of Central Kootenay
Statement of Operations

For the year ended December 31	Financial Plan	2022	2021
Revenue			
Taxation - net	\$36,207,270	\$36,190,470	\$ 34,169,806
User fees, sales and rentals	11,077,679	11,437,714	10,253,647
Government grants and transfers	9,546,892	4,446,080	7,373,268
Gas tax grant - Community Works	-	1,414,593	2,774,321
Committed funding - Columbia Basin Trust	-	1,549,265	1,368,182
Interest income	5,700	54,647	33,803
Interest earnings - capital funds	-	784,306	706,051
Interest earnings - reserve funds	-	633,432	332,902
Rental revenue	901,204	1,025,429	609,199
Permit fees	850,000	1,082,269	904,816
Cost recoveries and contract revenue	2,109,914	2,212,820	3,733,526
Sale of materials	108,250	63,435	33,890
Gain on disposal of equipment	500	23,054	152,199
	60,807,409	60,917,514	62,445,610
Expenses			
General government	8,989,732	8,988,458	9,673,163
Protective services	7,464,351	7,458,971	7,345,399
Transportation services	2,367,945	2,253,195	1,869,205
Recreation, parks, and culture	17,378,000	18,045,432	15,697,952
Waste disposal and resource recovery	10,449,171	10,488,840	10,421,204
Water, utilities, and lighting	2,746,305	3,705,585	4,010,461
Planning, development, and sustainability	1,914,199	1,770,304	1,280,707
Grants	512,813	3,206,776	3,852,716
Economic development	1,078,376	943,905	1,392,490
	52,900,892	56,861,466	55,543,297
Annual surplus	7,906,517	4,056,048	6,902,313
Accumulated surplus, beginning of year	115,899,896	115,899,896	108,997,583
Accumulated surplus, end of year	\$123,806,413	\$119,955,944	\$115,899,896

The accompanying notes are an integral part of these financial statements.

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

For the year ended December 31	Fiscal Plan	2022	2021
Annual surplus	\$ 7,906,517	\$ 4,056,048	\$ 6,902,313
Acquisition of tangible capital assets including works-in-progress	(26,065,378)	(7,810,034)	(6,778,225)
Amortization of tangible capital assets including leases	-	6,820,351	6,505,571
Gain on sale of tangible capital assets	-	(23,054)	(152,200)
Proceeds on sale of tangible capital assets	-	23,054	252,737
	<u>18,158,861</u>	<u>3,066,365</u>	<u>6,730,196</u>
Decrease in supplies inventories	-	-	15,481
Decrease (increase) in prepaid expense	-	249,773	(137,921)
Net change in net financial assets (debt)	<u>18,158,861</u>	<u>3,316,138</u>	<u>6,607,756</u>
Net debt, beginning of year	<u>(2,839,604)</u>	<u>(2,839,604)</u>	<u>(9,447,360)</u>
Net financial assets (debt), end of year	<u>\$ (20,998,465)</u>	<u>\$ 476,534</u>	<u>\$ (2,839,604)</u>

Regional District of Central Kootenay
Statement of Cash Flows

For the year ended December 31	2022	2021
Operating transactions		
Annual surplus	\$ 4,056,048	\$ 6,902,313
Items not involving cash		
Amortization	6,820,351	6,505,571
Gain on disposal of tangible capital assets	(23,054)	(152,200)
Actuarial adjustment on debt	(754,816)	(706,051)
Changes in non-cash operating balances		
Accounts receivable	1,463,280	(1,855,932)
Inventories of supplies	-	15,481
Other receivables	-	(23,100)
Accounts payable and accrued liabilities	(677,126)	2,171,503
Landfill closure & post closure costs accruals	(170,706)	74,899
Contaminated site liability	(1,075,233)	(1,578,412)
Deferred revenue	376,986	(373,316)
Prepaid expenses and deposits	249,773	(137,921)
	10,265,503	10,842,835
Capital transactions		
Acquisition of tangible capital assets	(7,810,034)	(6,778,225)
Proceeds on sale of tangible capital assets	23,054	252,737
	(7,786,980)	(6,525,488)
Financing transactions		
Temporary borrowing proceeds	3,323,819	1,184,258
Equipment finance loan proceeds	-	885,100
Repayment of principal on temporary borrowing	(555,996)	(258,149)
Repayment of principal debt on equipment financing loans	(287,435)	(354,695)
Repayment of long-term debt	(1,540,230)	(1,501,378)
	940,158	(44,864)
Net increase (decrease) in cash	3,418,681	4,272,483
Cash and cash equivalents, beginning of year	48,489,993	44,217,510
Cash and cash equivalents, end of year (Note 2)	\$51,908,674	\$ 48,489,993

The accompanying notes are an integral part of these financial statements.

Regional District of Central Kootenay Notes to the Financial Statements

December 31, 2022

1. Significant Accounting Policies

Basis of Presentation The financial statements reflect all revenues, expenditures, assets and liabilities of the Regional District. The statements have been prepared in accordance with Canadian public sector accounting standards (PSAS), as established by the Public Sector Accounting Board (PSAB).

These statements include accounts of all the funds of the Regional District of Central Kootenay. Inter-fund transactions and balances have been eliminated. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Expenditures are accounted for in the period the goods and services are acquired and a liability is incurred or transfers are due.

Investments Investment are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Revenue Recognition Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Charges for water usage are recorded as user fees in the year they are charged. Conditional grant revenue is recognized to the extent the imposed conditions are met. Unconditional grant revenue is recognized when monies are received. Grants for the acquisition of tangible capital assets are recognized in the period the expenditure is made. Sales of services and other revenue is recognized on an accrual basis. Building Permit revenue is recorded when cash is received.

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

Deferred Revenue Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.

Regional District of Central Kootenay

Notes to the Financial Statements

December 31, 2022

1. Significant Accounting Policies (continued)

Collection of Taxes on Behalf of Other Taxation Authorities

The Regional District collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

Contaminated sites

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

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant areas requiring estimates include the useful life of tangible capital assets for amortization and the provision for any contingencies. Actual results could differ from management's best estimates as additional information becomes available in the future.

Tangible Capital Assets

Tangible capital assets, comprised of capital assets and capital works in progress, are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all costs directly attributed to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees, and site and preparation costs. Amortization is recorded on a straight line basis over the estimated useful life of the asset. Donated tangible assets are reported at fair value at the time of donation. Estimated useful lives are as follows:

Building and building components	20 to 40 years
Engineering structures (including land improvements)	5 to 60 years
Paving	15 to 40 years
Operating and office equipment	5 to 20 years
Leasehold improvements	term of the lease

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.

Contributed tangible capital assets are recorded at their fair value on the date of contribution, except in unusual circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Regional District of Central Kootenay

Notes to the Financial Statements

December 31, 2022

1. Significant Accounting Policies (continued)

Retirement Benefits and Other Employee Benefit Plans

The District's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred. The costs of other pensions and other retirement benefits that accumulate over the period of service provided by employees are actuarially determined using the projected benefit method prorated on services based on management's best estimate of retirement age, inflation rates, investment returns, wage and salary escalation, insurance and health care costs trends, employee turnover and discount rates. Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the employee group.

Reserve Funds

Reserves represent amounts set aside for specific or future expenditures. Statutory reserves require the passing of a by-law to be established.

2. Cash and temporary Investments

	2022	2021
Reserve funds and temporary investments (Note 13)	\$37,168,475	\$ 31,961,148
Deferred funds (Note 8)	2,315,221	1,938,235
Debt proceeds restricted for HB Mines remediated (Note 5)	3,680,751	3,714,016
Unrestricted cash and temporary investments	8,744,227	10,876,593
	\$51,908,674	\$ 48,489,992

Cash and temporary investments are comprised as follows:

	2022	2021
Cash	\$10,348,548	\$ 9,337,313
Guaranteed Investment Certificates	8,000,000	1,938,235
MFA Money Market Funds	3,680,751	3,714,016
Pooled Investment Funds	29,879,375	10,876,593
	\$51,908,674	\$ 25,866,157

Guaranteed investment certificates bear interest ranging from 2.17% to 2.72% and mature from December 2024 to December 2026.

3. Credit Facility

The Regional District has a credit facility agreement with a financial institution which provides for a total commitment of \$5,000,000. At December 31, 2022, the Regional District had drawn an amount of \$Nil (2021 - \$Nil) on this agreement.

Regional District of Central Kootenay
Notes to Financial Statements

December 31, 2022

4. Due From Member Municipalities

The Regional District of Central Kootenay borrows funds from the Municipal Finance Authority on behalf of its member municipalities. The amounts due from the municipalities is their portion of the debenture debt outstanding.

Regional District of Central Kootenay
Notes to Financial Statements

December 31, 2022

5. Closure Plans - Landfills

The Environmental Management Act of B.C. and the Ministry of Environment of B.C. set out the landfill criteria to properly close and maintain all active and inactive landfill sites. Under the guidelines, there is a requirement for closure and post-closure care of solid waste landfill sites. Provisions are therefore made over the estimated remaining life of the Regional District landfill sites based on records of capacity used and through tipping fees.

The main components of the landfill closure plans are: final capping using an engineered cap design and the implementation of a drainage and gas management plan. The post-closure care requirements may involve: cap maintenance; groundwater monitoring; gas management system operation and maintenance; inspections; leachate treatment and monitoring; and annual reports. Post-closure care activities begin once the entire landfill site no longer accepts waste and continues on for a period of one hundred years. As the date of the site closure is unknown, management estimates the liability to begin after the closure of the current active phase, assuming another phase will not be opened. In the event another phase is opened, the start date for the liability will be adjusted to begin upon closure of the newly opened phase.

The total liability recorded for the estimated landfill closure and post-closure costs are as follows:

	East Waste	Central Waste	West Waste
Cumulative capacity used to date (m3)	225,549	240,509	451,500
Total capacity of the site	1,100,165	240,510	3,443,015
Annual post-closure costs			
Years 1-10	\$ 36,500	\$ 18,557	\$ 58,000
Years 11-25	\$ 23,500	\$ 11,134	\$ 38,000
Post-closure care period in years	25	25	25
Projected year site closure	2085	2017	2081
Projective PV cost of site closure and post closure	\$ 11,154,000	\$ 441,897	\$ 24,675,000
Discount rate used for present value calculations	3%	3%	3%
Inflation rate used for present value calculations	2%	2%	2%
		<u>2022</u>	<u>2021</u>
Landfill liability open sites		\$ 3,122,008	\$ 3,091,697
Landfill liability closed sites		738,743	759,760
Total landfill liability		<u>\$ 3,860,751</u>	<u>\$ 3,851,457</u>

The Central Landfill was closed in January 2017 and the liability recorded represents only post-closure costs.

Regional District of Central Kootenay
Notes to Financial Statements

December 31, 2022

6. M.F.A. Financing

MFA Debenture Debt principal is reported net of sinking fund balances, and interest expense is reported net of sinking fund earnings. Included in the debenture debt is debt that the District has incurred on behalf of its member municipalities.

	2022	2021
Due from member municipalities (Note 4)	\$ 19,937,012	\$ 20,165,876
Owing by the district	32,673,046	34,951,342
Debenture debt outstanding in Canadian funds	\$ 52,610,058	\$ 55,117,218

The debenture debt and short term financing bears various interest rates set at the time of borrowing and adjusted on the 10th anniversary if applicable; debt has varying maturity dates.

The estimated principal payments required until maturity, on the Regional District's portion of debenture debt, are as follows:

2023	\$ 1,369,752
2024	1,223,507
2025	1,225,250
2026	1,086,359
2027	1,025,883
Thereafter and actuarial earnings	46,679,307
	\$ 52,610,058

7. Equipment Financing Loans - M.F.A.

Equipment financing is repayable to Municipal Finance Authority and bears interest at 1.78% per annum and mature in periods 2022 to 2027

The Regional District's cash payments for interest in 2022 were \$33,991 (2021 - \$10,155).

The estimated principal payments required until maturity, on the equipment financing debt, are as follows:

2023	\$ 371,296
2024	352,529
2025	404,078
2026	271,010
2027	32,674
	\$ 1,431,587

Regional District of Central Kootenay
Notes to the Financial Statements

December 31, 2022

8. Deferred Revenue

Included in deferred revenue are amounts relating to grant funding for the coming year:

	Balance at December 31, 2021	Collected	Recognized	Balance at December 31, 2022
Recreation Centres	\$ 779,686	883,407	779,686	\$ 883,407
Columbia Basin Trust	257,386	1,543,525	1,576,856	224,055
CBT - Wildfire Reduction	240,000	-	240,000	-
CBT - Organics Curbside	-	181,920	-	181,920
West Creston Fire Protection Society	-	90,000	-	90,000
Province of BC - Connectivity	235,200	-	6,122	229,078
Cottonwood - Trans Canada Economic Recovery - Province of BC	78,800	-	-	78,800
Province of BC	107,775	-	107,775	-
CBT - Salmo Pool	-	121,149	-	121,149
UBCM - FireSmart	-	55,661	-	55,661
NDMP - Province of BC	-	63,087	-	63,087
Climate Action Plan- Province of BC	-	88,729	-	88,729
Other	239,388	299,335	239,388	299,335
	<u>\$ 1,938,235</u>	<u>\$ 3,326,813</u>	<u>\$ 239,388</u>	<u>\$ 2,315,221</u>

December 31, 2022

9. Tangible Capital Assets

	Land	Building & building components	Vehicles	Engineering Structures (including land improvements)	Paving	Operating & office equipment	Bus Shelters	Work in progress	2022 Total	2021 Total
Cost, beginning of year	\$ 15,001,503	\$ 83,680,130	\$ 14,961,175	\$ 60,236,634	\$ 2,445,850	\$ 15,148,086	\$ 817,554	\$ 4,086,420	\$ 196,377,352	\$ 190,238,789
Additions	96,502	1,818,304	2,251,116	425,797	158,131	960,431	-	2,099,751	7,810,032	6,778,225
Disposals	-	-	-	-	-	-	-	-	-	(639,662)
Cost, end of year	15,098,005	85,498,434	17,212,291	60,662,431	2,603,981	16,108,517	817,554	6,186,171	204,187,384	196,377,352
Accumulated amortization, beginning of year	-	42,031,843	9,409,248	17,385,156	643,169	8,448,770	254,040	-	78,172,226	72,205,782
Amortization	-	3,083,868	786,281	1,863,300	71,467	975,057	40,378	-	6,820,351	6,505,571
Disposals	-	-	-	-	-	-	-	-	-	(539,125)
Accumulated amortization, end of year	-	45,115,711	10,195,529	19,248,456	714,636	9,423,827	294,418	-	84,992,577	78,172,228
Net carrying amount, end of year	\$ 15,098,005	\$ 40,382,723	\$ 7,016,762	\$ 41,413,975	\$ 1,889,345	\$ 6,684,690	\$ 523,136	\$ 6,186,171	\$ 119,194,807	\$ 118,205,124

Included in tangible capital assets are \$6,186,171 in work in progress (2021 - \$4,086,420) that is not being amortized as the related assets are not ready for use.

Regional District of Central Kootenay
Notes to the Financial Statements

December 31, 2022

10. Debt Reserve Funds - Municipal Finance Authority

The District and its member municipalities issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings a portion of the debenture borrowings is withheld by the Municipal Finance Authority as a debt reserve fund. The District also executes demand notes in connection with each debenture whereby the District may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature. Upon maturity of a debt issue, the unused portion of the Debt Reserve Fund established for that issue will be discharged to the Regional District or the Municipality. The proceeds from these discharges will be credited to income in the year they are received. These amounts are not included in the Regional District's financial statements. The details of the cash deposits and demand note requirements at year end are as follows:

	Cash Deposits	Demand Note Requirement	2022	2021
Balance, beginning of year	\$ 1,223,813	\$ 2,156,304	\$ 3,380,117	\$ 3,281,242
Add: Interest earnings	27,593	-	27,593	20,238
New Issues	15,000	27,887	42,887	143,437
Deduct: Payouts on debt retirement	(5,601)	(14,124)	(19,725)	(64,800)
Balance, end of year	1,260,805	2,170,067	3,430,872	3,509,717
Member municipalities portion	513,096	909,150	1,422,246	1,384,529
Regional District's portion	747,709	1,260,917	2,008,626	1,995,588
	\$ 1,260,805	\$ 2,170,067	\$ 3,430,872	\$ 3,380,117

Regional District of Central Kootenay Notes to the Financial Statements

December 31, 2022

11. Municipal Pension Plan

The Regional District of Central Kootenay and its employees contribute to the Municipal Pension Plan (the 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, 2021, the plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of planfunding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The Regional District of Central Kootenay paid \$1,030,923 (2021 - \$1,079,875) for employer contributions to the plan in fiscal year 2022.

The next valuation will be as at December 31, 2024, with results available in 2025.

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 with the result that there is no consistent and reliable basis for allocating the obligation, assets, and cost to the individual employers participating in the plan.

Regional District of Central Kootenay
Notes to the Financial Statements

December 31, 2022

12. Accumulated Surplus

The Regional District segregates its accumulated surplus in the following categories:

	2022	2021
Unrestricted	\$ 2,727,807	\$ 953,164
Restricted	37,168,475	31,961,148
Equity in tangible capital assets	80,059,662	82,985,584
	\$ 119,955,944	\$ 115,899,896

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by bylaw or Board resolution for specific purposes.

13. Restricted Reserve Funds

The District has several reserve funds held for specific purposes. The changes in these funds were as follows:

	2022	2021
Fund Balance, beginning of year	\$ 31,961,148	\$ 28,011,902
Add: Interest Earnings	633,432	332,903
Contributions to reserves	8,300,032	7,725,289
Transfers out of reserves	(3,726,137)	(4,108,946)
Fund balance, end of year	\$ 37,168,475	\$ 31,961,148

Regional District of Central Kootenay
Notes to the Financial Statements

December 31, 2022

14. Liability for Contaminated Site - HB Mines

The Regional District, as the current property owner, has responsibility for the remediation and post-remediation monitoring and maintenance costs of a contaminated site (HB mine tailings dam) in accordance with the BC Environmental Management Act. The property is a contaminated site on the provincial contaminated site registry. Contaminated sites are a result of contamination being introduced to air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. The accrual as at December 31, 2022 represents management's best estimate at the financial statement date and has been quantified by an environmental consultant. The District concluded the remediation project in 2022 and thus the remaining accrual is for post-remediation monitoring and maintenance costs.

Remediation and post-remediation monitoring period in years	100
Projected year of final post remediation monitoring costs	2122
Discount rate	2 - 4%
Total undiscounted remediation and post-remediation costs	9,254,280

	2022	2021
Remediation liability	\$ -	\$ 1,156,584
Post remediation liability	3,962,661	3,881,310
	\$ 3,962,661	\$ 5,037,894

15. Liability for Nelson Transfer Station Closure

The Regional District is responsible for the closure of the Nelson transfer station to industrial land standards in accordance with the landfill legislation with the Ministry of Environment. The property is a contaminated site on the provincial contaminated site registry. The accrual as at December 31, 2021 represents managements best estimate at the financial statement date. The amount has been estimated by a environmental scientist. A more detailed analysis of costs will be performed in 2023. The Regional District plans to commence the project in 2023. The total remediation liability in 2022 was \$740,000 (2021 - 740,000).

16. Commitments

The Regional District has commitments for specific expenditures in various functions. These commitments will be met through taxation for those functions in the year of the actual expenditures.

Regional District of Central Kootenay
Notes to the Financial Statements

December 31, 2022

17. Financial Plan

The budgeted figures are based on the adopted Five-Year Financial Plan for the year 2022 approved under bylaw 2820 on March 17, 2022.

The Financial Plan Bylaw anticipated use of surpluses accumulated in previous years to balance against current year expenditures in excess of current year revenues. The Financial Plan was not budgeted in a manner consistent with PSAS, but has been adjusted in the financial statements to conform with PSAS requirements.

	<u>2022</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	26,065,378
Long-term debt principal payments	1,425,000
Equipment financing principal repayments	1,253,931
Less:	
Borrowing	(10,397,967)
Transfers to/from reserves and own funds	(10,439,825)
Financial Plan Bylaw surplus per statement of operations	<u>\$ 7,906,517</u>

18. Contingent Liabilities

The Regional District is a participant in the Municipal Insurance Association of British Columbia. Should the Association pay out claims in excess of premiums received, it is possible the Regional District, along with other participants, would be required to contribute towards the deficit.

From time to time the Regional District is brought forth as a defendant in various lawsuits. The Regional District reviews its exposure to any potential litigation for which it would not be covered by insurance and assesses whether a successful claim against the District would materially affect the financial statements of the District. The Regional District reserves a portion of its operating surplus for future payment of insurance deductibles and payment of claims for which it would not be covered by insurance. The Regional District is currently not aware of any claims brought against it that if not defended successfully would result in a material change to the financial statements of the District.

Regional District of Central Kootenay

Notes to the Financial Statements

December 31, 2022

19. Segmented Information

The Regional District of Central Kootenay is a diversified regional district government institution that provides a wide range of over 180 operational and administrative services for its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General government

General government operations include the functions of governance, general and corporate administration, finance, human resources, information technology, legislative services, and building services.

Protective services

Protective services includes fire protection, fire rescue, 911 services, emergency program management, emergency operations centre management and bylaw enforcement. The mandate of emergency program management is to protect public safety through mitigation, emergency preparedness, emergency response and recovery.

Transportation services

Transportation services includes the rural transit and paratransit services as well as custom transit that carry persons who are unable to access the conventional transit system. This segment also includes funding for airport operations.

Recreation, parks, and culture

Recreation, parks, and culture includes the delivery of recreation programs and services, management of recreation facilities, development & management of parks and the funding of various community organizations including museums, libraries and community centres.

Grants

A multitude of grant programs are managed through the application, board approval, payment, tracking and reporting process. These include discretionary, community development, Community Works and Columbia Basin Trust Resident Directed grant programs.

Waste disposal and resource recovery

Waste disposal and resource recovery services include waste handling facilities (transfer stations and landfills), composting facilities, community recycling depots, materials recovery, transportation of materials and environmental education.

Planning, development, and sustainability

Planning and development includes the administration of zoning, land use and development applications. The department is also involved in the development of long-term community plans which focus on the future vision and objectives of communities within the rural electoral areas of the Regional District. Sustainability includes initiatives to reduce greenhouse gases, increase renewable energy, increase local food production, support water conservation and source water protection, increase active transportation and increase affordable housing.

Regional District of Central Kootenay
Notes to the Financial Statements

December 31, 2022

19. Segmented Information (continued)

Economic development

This segment includes projects and initiatives with multiple stakeholders to pursue opportunities for economic development, enhance capacity-building for sustainable economic growth and diversification, and create more resilient, prosperous communities across the region.

Water, utilities and lighting

This segment includes the treatment and distribution of potable water as well as providing street lighting for various communities and locations in the region.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

The segmented amounts do not include inter-service transfers, debt proceeds and repayments, capital expenditures and reserve transfers and contributions. Amortization has been added to the segmented amounts.

Regional District of Central Kootenay
Notes to the Financial Statements

December 31, 2022

19. Segmented Information (continued)

2022

	General Government	Protective Services	Transportation Services	Recreation, Parks & Culture	Waste Disposal & Resource Recovery	Water, Utilities & Lighting	Planning, Development & Sustainability	Grants	Economic Development	Total
Revenue										
Taxation	\$ 3,916,426	\$ 8,243,165	\$ 1,827,609	\$ 14,565,564	\$ 5,041,597	\$ 523,805	\$ 1,142,505	\$ 211,441	\$ 718,358	\$ 36,190,470
User Fee	14,181	100,987	85,428	1,423,010	6,107,302	3,632,361	74,445	-	-	11,437,714
Grants and Donations	350,536	148,113	297,031	945,593	770,609	42,762	480,653	1,202,464	208,319	4,446,080
Gas Tax grant - Community Works	-	-	-	-	-	-	-	1,414,593	-	1,414,593
Committed funding - Columbia Basin Trust	-	-	-	-	-	-	-	1,549,265	-	1,549,265
Interest earnings	633,431	-	-	4,786	41,358	-	-	7,443	1,061	688,079
Actuarial earnings	784,306	-	-	-	-	-	-	-	-	784,306
Rental revenue	1,200	16,248	-	1,002,676	-	5,305	-	-	-	1,025,429
Permit Fees	1,082,269	-	-	-	-	-	-	-	-	1,082,269
Cost recoveries and contract revenue	345,521	141,070	-	909,850	181,749	397,192	72,310	165,128	-	2,212,820
Sale of materials	-	1,168	-	62,267	-	-	-	-	-	63,435
Gain on disposal of equipment	-	20,953	-	2,101	-	-	-	-	-	23,054
	<u>7,127,870</u>	<u>8,671,704</u>	<u>2,210,068</u>	<u>18,915,847</u>	<u>12,142,615</u>	<u>4,601,425</u>	<u>1,769,913</u>	<u>4,550,334</u>	<u>927,738</u>	<u>60,917,514</u>
Expenditures										
Legislative - directors' expenses	845,483	-	193	2,216	72,933	11,182	15,357	-	-	947,364
Administration services	886,771	346,991	2,595	594,253	151,447	123,619	35,692	2,511	3,678	2,147,557
Wages and employees benefits	6,215,259	2,620,672	13	7,380,335	3,489,313	1,051,640	1,049,872	-	89,343	21,896,447
Provision for landfill closure and post closure costs	-	-	-	-	(1,245,938)	-	-	-	-	(1,245,938)
Utilities	33,015	132,705	-	1,125,664	28,354	227,285	4,163	-	-	1,551,186
General - operations and maintenance	119,842	209,951	6,707	939,435	458,216	328,411	18,104	-	34,682	2,115,348
Vehicles - operations and maintenance	44,224	279,213	-	54,275	215,520	44,417	2,103	-	-	639,752
Equipment - operation and maintenance	127,109	197,463	-	120,322	12,188	12,889	-	-	-	469,971
Grants	43,500	185,901	139,130	3,273,974	28,647	-	82,840	1,012,008	406,637	5,172,637
Committed funding - Columbia Basin Trust	-	-	-	-	-	-	-	1,456,055	-	1,456,055
Gas Tax grant - Community Works	-	-	-	-	-	-	-	676,671	-	676,671
Services contracted out	194,393	2,369,810	2,056,036	828,451	6,075,656	260,590	562,173	59,531	409,565	12,816,205
Debt services charges - interest	5,586	80,330	-	766,688	429,548	115,709	-	-	-	1,397,861
Amortization	473,276	1,035,935	48,521	2,959,819	772,956	1,529,843	-	-	-	6,820,350
	<u>8,988,458</u>	<u>7,458,971</u>	<u>2,253,195</u>	<u>18,045,432</u>	<u>10,488,840</u>	<u>3,705,585</u>	<u>1,770,304</u>	<u>3,206,776</u>	<u>943,905</u>	<u>56,861,466</u>
Surplus (deficit)	<u>\$ (1,860,588)</u>	<u>\$ 1,212,733</u>	<u>\$ (43,127)</u>	<u>\$ 870,415</u>	<u>\$ 1,653,775</u>	<u>\$ 895,840</u>	<u>\$ (391)</u>	<u>\$ 1,343,558</u>	<u>\$ (16,167)</u>	<u>\$ 4,056,048</u>

Regional District of Central Kootenay
Notes to the Financial Statements

December 31, 2022

19. Segmented Information (continued)

2021

	General Government	Protective Services	Transportation Services	Recreation, Parks & Culture	Waste Disposal & Resource Recovery	Water, Utilities & Lighting	Planning, Development & Sustainability	Grants	Economic Development	Total
Revenue										
Taxation	\$ 3,479,894	\$ 7,296,877	\$ 1,778,650	\$ 14,288,958	\$ 4,876,272	\$ 513,001	\$ 1,078,968	\$ 209,355	\$ 647,831	\$ 34,169,806
User Fee	16,622	120,389	81,819	580,208	6,074,769	3,290,873	88,967	-	-	10,253,647
Grants and Donations	1,228,773	435,544	291,553	2,026,591	210,001	153,986	7,202	2,137,780	881,838	7,373,268
Gas Tax Grant - Community Works	-	-	-	-	-	-	-	2,774,321	-	2,774,321
Committed funding - Columbia Basin Trust	-	-	-	-	-	-	-	1,368,182	-	1,368,182
Interest earnings	361,828	-	-	1,705	758	-	-	2,113	301	364,291
Actuarial earnings	706,051	-	-	-	-	-	-	-	-	706,051
Rental revenue	1,200	15,154	-	587,644	-	5,201	-	-	-	609,199
Permit fees	904,816	-	-	-	-	-	-	-	-	904,816
Cost recoveries and contract revenue	656,771	1,115,723	-	720,856	484,311	414,879	157,713	58,272	125,000	3,733,525
Sale of materials	-	3,199	-	30,692	-	-	-	-	-	33,891
Gain on disposal of equipment	(100,538)	16,088	-	-	232,647	4,002	-	-	-	152,199
	<u>7,255,417</u>	<u>9,002,974</u>	<u>2,152,022</u>	<u>18,236,654</u>	<u>11,878,758</u>	<u>4,381,942</u>	<u>1,332,850</u>	<u>6,550,023</u>	<u>1,654,970</u>	<u>62,445,610</u>
Expenditures										
Legislative - directors expenses	720,715	-	624	-	93,799	1,560	12,090	-	-	828,788
Administration services	852,474	313,580	1,801	519,575	183,279	135,422	49,200	2,840	5,466	2,063,637
Wages and employees benefits	6,841,936	2,773,956	43	5,856,880	3,242,484	1,303,067	955,624	-	85,818	21,059,808
Provision for Landfill closure and post closure costs	-	-	-	-	2,329,840	-	-	-	-	2,329,840
Utilities	31,231	120,258	-	861,764	24,035	217,972	4,006	-	-	1,259,266
General - operations and maintenance	157,444	261,191	-	741,817	442,198	244,171	15,198	53	32,068	1,894,140
Vehicles - operations and maintenance	53,587	271,528	-	19,363	166,110	49,893	1,199	-	107	561,787
Equipment - operation and maintenance	104,160	239,100	-	125,600	10,380	58,337	-	-	-	537,577
Grants	50,952	187,318	136,670	3,178,809	(2,250)	7,500	100,830	1,684,186	1,086,636	6,430,651
Committed funding - Columbia Basin Trust	-	-	-	-	-	-	-	1,333,579	-	1,333,579
Gas Tax grant - Community Works	-	-	-	-	-	-	-	814,265	-	814,265
Services contracted out	409,648	2,172,707	1,681,546	700,955	2,865,888	396,269	142,560	17,793	182,395	8,569,761
Debt services charges - interest	9,995	73,477	-	762,412	394,503	114,240	-	-	-	1,354,627
Amortization	441,021	932,284	48,521	2,930,777	670,938	1,482,030	-	-	-	6,505,571
	<u>9,673,163</u>	<u>7,345,399</u>	<u>1,869,205</u>	<u>15,697,952</u>	<u>10,421,204</u>	<u>4,010,461</u>	<u>1,280,707</u>	<u>3,852,716</u>	<u>1,392,490</u>	<u>55,543,297</u>
Surplus (deficit)	<u>\$ (2,417,746)</u>	<u>\$ 1,657,575</u>	<u>\$ 282,817</u>	<u>\$ 2,538,702</u>	<u>\$ 1,457,554</u>	<u>\$ 371,481</u>	<u>\$ 52,143</u>	<u>\$ 2,697,307</u>	<u>\$ 262,480</u>	<u>\$ 6,902,313</u>

Regional District of Central Kootenay
Schedule 1: COVID-19 Safe Restart Grant
(Unaudited)

<u>For the year ended December 31</u>	<u>2022</u>
Balance, beginning of year	<u>\$ 103,694</u>
Expenses	
Administration and Information Technology	<u>72,431</u>
<u>Balance, end of year</u>	<u>\$ 31,263</u>