qathet
REGIONAL DISTRICT
2021 Financial Statements

qathet
REGIONAL DISTRICT

Financial Statements for the year ending December 31, 2021

qathet
REGIONAL DISTRICT

Management's Responsibility for the Financial Statements

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

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

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

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

Chief Administrative Officer

Chief Financial Officer

To the Board of Directors of the qathet Regional District:

Opinion

We have audited the financial statements of qathet Regional District (the "Regional District"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including Schedules I to III, summary of function balances and accumulated surplus and a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2021, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Nanaimo, British Columbia

April 28, 2022

MNP LLP

Chartered Professional Accountants

qathet Regional District
Statement of Financial Position
As at December 31, 2021

	2021	2020
Financial Assets		
Cash and short-term investments (Note 3)	$ 17,904,589	$ 15,245,197
Receivable from member municipality (Note 5)	24,126,269	19,722,406
Accounts receivable	711,321	2,344,561
Total Financial Assets	42,742,179	37,312,164
Liabilities		
Accounts payable (Note 18)	1,133,192	2,765,394
Due to Powell River Regional Hospital District (Notes 3 & 19)	6,214,596	5,595,731
Development cost charges	9,482	9,460
Deferred revenue	190,705	254,442
Capital financing and short term debt (Note 4)	1,881,411	1,349,929
Long-term debt (Note 5)	24,909,063	20,539,544
Landfill closure and post closure liability (Note 6)	408,668	202,889
Total Liabilities	34,747,117	30,717,390
Net Financial Assets	7,995,062	6,594,774
Non-Financial Assets		
Tangible capital assets (Schedule I)	21,955,212	20,468,729
Prepaid expenses	193,252	156,467
Total Non-Financial Assets	22,148,463	20,625,196
Accumulated surplus (Note 13)	$ 30,143,525	$ 27,219,970

Commitments (Note 10)
Contingent Liabilities (Note 11)
Significant Event (Note 17)

Approved on behalf of the Board:

P. Baley — Chair

Linda Greenan — Chief Financial Officer

qathet Regional District
Statement of Operations
For the year ended December 31, 2021

	2021 Budget (Note 16)	2021 Actual	2020 Actual
Revenue			
Taxation levies	$ 8,281,310	$ 8,280,496	$ 8,008,395
Parcel tax	288,905	288,905	288,905
Grants	5,150,840	2,299,388	3,515,185
Waste Management Tipping fees	1,455,000	1,539,662	1,409,995
Sales of Services - Cemetery	105,735	109,663	91,343
Park Fees	176,243	233,400	181,703
Water and Sewer User Fees	151,011	158,417	151,945
Interest and Other Revenue	659,777	500,442	626,400
Gain (loss) on disposal of tangible capital assets	-	1,964	(2,312)
Gain from Actuarial Adjustment on Debenture Debt	-	8,787	7,647
	16,268,821	13,421,123	14,279,204
Expenses (Note 21)			
General Government Services	2,239,264	1,737,110	1,565,324
Development Services	898,366	577,571	546,328
Solid Waste Management and Recycling	2,883,802	2,899,269	2,411,242
Other Services	932,549	780,314	666,739
Parks and Recreation Services	1,850,421	1,793,033	1,796,304
Protective Services	2,196,000	2,112,415	2,018,890
Public Health and Welfare Services	99,017	118,823	121,005
Transportation Services	201,236	154,304	125,390
Water Services	173,061	143,003	130,992
Sewer Services	201,855	181,728	187,070
	11,675,571	10,497,568	9,569,283
Annual Surplus	4,593,250	2,923,555	4,709,922
Accumulated surplus, beginning of year	27,219,970	27,219,970	22,510,048
Accumulated surplus, end of year (Note 13)	$ 31,813,220	$ 30,143,525	$ 27,219,970

qathet Regional District
Statement of Changes in Net Financial Assets
For the year ended December 31, 2021

	2021 Budget (Note 16)	2021 Actual	2020 Actual
Annual Surplus	$ 4,593,250	$ 2,923,555	$ 4,709,922
Acquisition of tangible capital assets	(11,541,724)	(2,281,010)	(3,023,197)
Amortization of tangible capital assets	-	794,527	759,857
Proceeds from sale of tangible capital assets	-	1,964	-
Gain (loss) on disposal of tangible capital assets	-	(1,964)	2,312
Change in prepaid expenses	-	(36,785)	(29,650)
Change in net financial assets	(6,948,474)	1,400,287	2,419,244
Net financial assets, beginning of year	6,594,774	6,594,774	4,175,530
Net financial assets, end of year	$ (353,699)	$ 7,995,062	$ 6,594,774

qathet Regional District
Statement of Cash Flows
For the year ended December 31, 2021

	2021	2020
Cash provided (used in)		
Operating Transactions		
Annual surplus	$ 2,923,555	$ 4,709,922
Items not involving cash		
Amortization of tangible capital assets	794,527	759,857
Gain (loss) on disposal of tangible capital assets	(1,964)	2,312
Gain from actuarial adjustment on debenture debt	(8,787)	(7,647)
Landfill closure and post closure costs	205,779	(39,443)
Changes in balances		
Accounts receivable	1,633,240	(1,260,744)
Prepaid expenses	(36,785)	(29,650)
Accounts payable	(1,632,202)	1,348,696
Deferred revenue	(63,737)	97,629
	3,813,626	5,580,932
Capital Transactions		
Proceeds from sale of tangible capital assets	1,964	-
Acquisition of tangible capital assets	(2,281,010)	(3,023,197)
	(2,279,046)	(3,023,197)
Financing Transactions		
Debt proceeds	741,888	150,000
Change in due to Powell River Regional Hospital District	618,865	525,954
Development cost charges	23	232
Repayment of long-term debt, leases and short-term borrowing	(235,964)	(360,904)
	1,124,811	315,282
Increase in cash and short-term investments during the year	2,659,391	2,873,017
Cash and short-term investments, beginning of year	15,245,197	12,372,180
Cash and short-term investments, end of year (Note 3)	$ 17,904,589	$ 15,245,197

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

qathet Regional District
Summary of Function Balances and Accumulated Surplus
For the year ended December 31, 2021

		2021		2020
Function Balances				
Administration and general	$	357,698	$	322,232
Planning		-		70,000
Waste management		(29,473)		159,175
Cemetery operations		50,000		39,284
Malaspina fire protection area		-		80,000
Lasqueti fire protection area		32,000		12,325
Northside fire protection		(2,042)		5,000
Emergency telephone (911) services		8,232		(6,047)
Texada medical clinic		-		(534)
Texada recreation commission		28,000		28,000
Texada airport		52,118		-
House numbering		(10,892)		(1,628)
Recreation program		1,500		1,500
Rural paratransit		42,487		38,747
Emergency program area C & D		4		(15)
Electoral area feasibility study		-		31,733
Library services		3,403		-
Lasqueti Island library services		(2)		(2)
Savary Island public marine transportation facilities		-		204
Texada Island public marine transportation facilities		(2,416)		14,328
Septage sludge disposal		-		334
Economic development		15,270		6,565
Water fund - Myrtle pond		20,000		20,534
Sewer fund - Lund sewer		20,000		20,000
Regional animal shelter		(1)		(1)
Development service		3,249		4,881
Social planning		74,599		6,636
Sub-regional recreation service		-		-
Heritage conservation		-		-
Total function balances		663,735		853,253
Waste management reserve (Note 13)		1,159,650		1,188,659
Reserve for future expenditure (Note 13)		4,495,306		3,715,238
Statutory reserve fund (Note 13)		4,533,827		3,161,161
Equity in tangible capital assets (Note 12)		19,291,007		18,301,661
Accumulated surplus (Note 13)	$	30,143,525	$	27,219,970

1 Summary of Significant Accounting Policies

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

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

a) Cash and Cash Equivalents

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

b) Revenue Recognition

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

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

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

Taxation

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

Development Cost Charges

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

Cemetery Operations

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

Government Transfers

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

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

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

c) **Accrued Employee Benefits**

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

d) **Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the contribution, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is put into use.

Estimate useful lives of tangible capital assets are as follows:

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

e) **Landfill and Post Closure Liability**

The Lasqueti Island landfill closure was completed in 2021. The post closure liability is based on estimated cost of post closure activities of the Lasqueti Island solid waste landfill. Any changes in estimate are recorded prospectively.

f) **Interest on Debt**

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

g) **Financial Instruments**

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

h) **Non-Financial Assets**

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

i) **Use of Estimates**

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

2 Municipal Finance Authority Reserve Deposits and Demand Notes

The Regional District issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld by the Municipal Finance Authority as a debt reserve fund and totals $13,067 ($12,848 - 2020). The Regional District also executes demand notes in connection with each debenture totaling $19,428 ($19,428 - 2020) whereby the Regional District may be required to loan certain amounts to the Municipal Finance Authority. Debt reserve funds are also held on behalf of the City of Powell River and total $722,840 ($594,385 - 2020). All amounts related to the reserve deposits and demand notes are disclosed here and not recorded elsewhere in these financial statements.

3 Cash and Short-Term Investments

	2021	2020
Cash accounts (0.87%)	$ 1,016,769	$ 2,287,248
MFA - Bond Fund	3,146,448	3,189,270
MFA - Money Market	7,012,041	4,004,164
Savings Institutions	6,475,606	5,608,819
Other Cash held	253,724	155,696
	17,904,589	15,245,197
Less:		
Portion held for Powell River Regional Hospital District	(6,214,596)	(5,595,731)
Cash and short-term investments	$ 11,689,993	$ 9,649,466

4 Capital Financing and Short Term Debt

The total equipment financing outstanding with the Municipal Finance Authority of British Columbia as at December 31, 2021 was $889,049 ($969,905 - 2020).

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

1) A five year equipment loan agreement with the Municipal Finance Authority of British Columbia which commenced October 27, 2016 for the purchase of a Malaspina Volunteer Fire service fire truck. The debt was refinanced for a further five years on November 1, 2021. The remaining obligation will be repaid with monthly loan payments in the amount of $3,863 including interest at a daily varying rate. The balance of the loan at December 31, 2021, which is included in equipment financing, is $288,634 ($331,380 - 2020). Loan to expire October 31, 2026.

2) A five year equipment loan agreement with the Municipal Finance Authority of British Columbia which commenced December 21, 2018 for the initial payment on the purchase of two apparatus for the Malaspina Volunteer Fire service. The remaining obligation will be repaid with monthly loan payments in the amount of $1,519 including interest at a daily varying rate. The balance of the loan at December 31, 2021, which is included in equipment financing, is $239,375 ($255,293 - 2020). Loan to expire December 31, 2023.

3) A five year equipment loan agreement with the Municipal Finance Authority of British Columbia which commenced December 31, 2019 for the balance of the purchase of two fire apparatus for the Malaspina Volunteer Fire service. The remaining obligation will be repaid with monthly loan payments in the amount of $2,139 including interest at a daily varying rate. The balance of the loan at December 31, 2021, which is included in equipment financing, is $361,051 ($383,232 - 2020). Loan to expire December 31, 2024.

The daily varying interest rate on the financing at December 31, 2021 was 0.96% (1.21% - 2020).

4 Capital Financing and Short Term Debt (continued)

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

2022	$	90,246
2023		90,246
2024		90,246
2025		90,246
2026		90,246
2027 and Beyond		437,819
	$	889,049

Short-Term Debt

The total short-term financing outstanding with the Municipal Finance Authority of British Columbia as at December 31, 2021 was $992,363 ($380,025 - 2020). Interest on the debt is charged at daily varying rates. The full amount borrowed must be repaid within five (5) years.

Future loan payments on short term debt are projected as:

2022	$	992,363

5 Long-Term Debt

Debt of the Regional District		2021		2020
Issued 2004, maturing 2024, 5.5%	$	15,296	$	19,918
Issued 2010, maturing 2030, 1.28%		39,338		43,004
Issued 2011, maturing 2026, 4.2%		10,010		11,787
Issued 2012, maturing 2042, 2.9%		441,351		454,626
Issued 2012, maturing 2032, 2.9%		6,166		6,606
Issued 2013, maturing 2043, 3.15%		52,533		54,008
Issued 2013, maturing 2033, 3.15%		1,815		1,932
Issued 2014, maturing 2044, 3.30%		36,714		37,678
Issued 2018, maturing 2038, 3.3%		179,569		187,581
Debt of the qathet Regional District		782,794		817,139
Debt of the City of Powell River		24,126,269		19,722,406
	$	24,909,063	$	20,539,544

Future principal repayments on Regional District Debt:

2022	$	35,666
2023		37,040
2024		38,468
2025		34,335
2026		35,597
2027 and Beyond		601,688
	$	782,794

6 Landfill Closure and Post Closure Liability

In accordance with PS 3270, liabilities with respect to permanently closing and monitoring a landfill are incurred as landfill capacity is used. The Lasqueti Island Landfill ceased taking waste and closure of the site was completed in 2021.

A technical analysis projects that the landfill will need to be monitored until 2045. Post closure monitoring costs are estimated at $18,000 per year from 2022 through 2045. Total post closure monitoring costs at December 31, 2021 are estimated at $572,028 (2020 - $272,907).

The total liability for post closure care and monitoring presented is based on the present value of the closure and post closure monitoring costs using a discount rate of 1.98%. The discount rate is based on the average change in the Consumer Price Index from 2017 though 2021. As at December 31, 2021 the present value of the post closure monitoring is estimated at $408,668 (2020 - $202,889) and this amount has been set aside in reserves for that purpose.

7 The North Island 9-1-1 Corporation

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

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

8 Septage Sludge Disposal

The Regional District has contracted with the City of Powell River in order to allow use of their sewage lagoon for the disposal of septage and sewage sludge generated in electoral area A-D until 2025. The agreement required an up-front payment of $509,000 in 2005 and contains further commitments of the Regional District as set out in Note 10.

9 Pension Plan

The employer and its employees contribute to the Municipal Pension Plan (a jointly trusteed 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, 2020, the plan has about 220,000 active members and approximately 112,000 retired members. Active members include approximately 42,000 contributors from local governments.

9 Pension Plan (continued)

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

The most recent valuation for the Municipal Pension Plan as of December 31, 2018, indicated a $2,866 million funding surplus for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2021, with results available in 2022.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The Regional District paid $176,981 (2020 - $179,533) for employer contributions while employees contributed $156,154 (2020 - $159,977) to the plan in fiscal 2021.

10 Commitments

The Regional District has the following commitments:

A waste handling service at an estimated cost of $257,000/year until June 30, 2023.

A waste transport service at an estimated cost of $538,000/year until June 30, 2026.

A waste transport and disposal service at an estimated cost of $678,000/year until December 31, 2023 with automatic renewal for successive three year periods until cancelled with notice.

A recycling depot operating contract at an estimated cost of $312,000/year until October 31, 2023.

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

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

An agreement with an estimated cost of $91,800 for the maintenance and operation of Shelter Point Regional Park until March 31, 2023.

10 Commitments (continued)

An agreement with an estimated cost of $210,000 toward operation of the Heritage Conservation service with no stated termination date.

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

An agreement with a budgeted cost of $11.8 million for construction management and construction of the Resource Recovery Centre and Commercial Transfer Station at the historical incineration site on Marine Avenue in Powell River, BC.

An agreement with an estimated cost of $32,500/year for the collection and transportation of Lasqueti Island's residual waste with an expiry date of January 7, 2023.

11 Contingent Liabilities

There is a lawsuit pending against the Regional District. It is the opinion of management that the amount of settlement for this claim cannot be reasonably estimated, nor can the likelihood of its outcome be known at this time. The final determination of this claim is not expected to materially affect the financial position of the Regional District. Any ultimate settlement will be recorded in the year the settlement occurs.

12 Equity in Tangible Capital Assets

	2021	2020
Equity in tangible capital assets, beginning of year	$ 18,301,661	$ 15,822,082
Tangible capital assets additions	2,281,010	3,023,198
Amortization of tangible capital assets	(794,527)	(759,857)
Additions funded by debt and equipment financing	(741,888)	(150,000)
Long-term debt payments	34,345	32,975
Short-term debt payments	210,406	335,575
Capital assets disposal	-	(2,312)
Equity in tangible capital assets, end of year	$ 19,291,007	$ 18,301,661

13 Accumulated Surplus

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

	2021	2020
Function balances	$ 663,735	$ 853,253
Waste Management Reserve	1,159,650	1,188,659
Reserve for future expenditures	4,495,306	3,715,238
Statutory Reserve fund	4,533,827	3,161,161
Equity in Tangible Capital Assets (Note 12)	19,291,007	18,301,661
	$ 30,143,525	$ 27,219,970

13 Accumulated Surplus (continued)

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

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

Represented by:	2021	2020
Texada Medical Clinic capital reserve	$ 71,994	$ 46,853
Malaspina Volunteer Fire capital reserve	297,604	269,493
Malaspina Volunteer Fire capital reserve #2	222,984	111,493
Lasqueti Island Volunteer Fire capital reserve	257,206	220,374
Northside Volunteer Fire capital reserve	464,506	151,936
Savary Island Volunteer Fire capital reserve	259,278	234,334
Lund Sewer capital reserve	97,035	67,149
Texada Recreation Commission capital reserve	221,754	186,102
Community Works Fund reserve (Note 14)	1,589,306	1,076,125
Feasibility Studies reserve	37,657	32,575
Community Parks Acquisition reserve	427,475	404,289
Myrtle Pond Water System reserve	218,360	175,393
General Administration reserve	135	135
Regional Parks Acquisition reserve	368,533	184,910
	$ 4,533,827	$ 3,161,161

14 Community Works Fund

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

	2021	2020
Community Works Fund Reserve, opening balance	$ 1,076,125	$ 946,387
Amount received during the year	706,571	345,230
Interest earned	3,072	26,898
	1,785,769	1,318,515
Less: Amount spent	(196,463)	(242,390)
Community Works Fund Reserve, closing balance	$ 1,589,306	$ 1,076,125

15 COVID-19 Safe Restart Grant

The Regional District received a grant of $424,000 in 2020 and further grant funding of $117,000 in 2021 under the COVID-19 Safe Restart Grant for Local Governments. Unspent funds have been transferred to a reserve for future expenditure. The continuity of the funding is presented in the table below:

	2021	2020
COVID-19 Safe Restart Grant, opening balance	$ 210,099	$ -
Amount received during the year	117,000	424,000
Interest earned	314	442
	327,412	424,442
Eligible costs incurred:		
Emergency Planning and Response	(8,231)	(84,563)
Facility Reopening and Operating Costs	(289,941)	(82,251)
Revenue Shortfalls	(459)	(19,751)
Services for Vulnerable Persons	-	(6,636)
Technology Upgrades	(6,066)	(21,142)
Total eligible costs incurred	(304,697)	(214,343)
COVID-19 Safe Restart Grant, closing balance	$ 22,716	$ 210,099

16 Budget Figures

Budget Figures represent the Financial Plan Bylaw No. 567 adopted by the Board on March 25, 2021.

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

The summary below reconciles the 2021 adopted financial plan to the financial statement budget figures:

	2021
Financial plan bylaw, surplus for the year	$ -
Less:	
Prior year surplus	(853,364)
Proceeds from new debt	(5,944,716)
Transfers to / from own funds	(406,384)
Add:	
Capital expenditures per budget	11,541,724
Repayment of debt	255,989
Adjusted Annual Surplus	$ 4,593,250

17 Significant Event

In March 2020, the COVID-19 outbreak caused governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which included the implementation of facility closures, travel restrictions, self-isolation periods, and social and physical distancing, continue to have a significant impact on the local and global economy. While the restrictions have eased and businesses are starting to operate at full capacity the country is still dealing with supply chain and labour shortages. The Regional District has experienced project delays and increased costs as a result of these shortages. At this time it is not possible to reliably estimate the impact on the Regional District's financial results for 2022.

18 Employee Benefit Obligations

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

During 2021 the qathet Regional District recorded a liability of $86,979 (2020 - $50,503) for employee sick leave. This liability is included in accounts payable on the Statement of Financial Position.

19 Powell River Regional Hospital District

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

During 2021, administrative support services supplied to the regional hospital district by the qathet Regional District totalled $100,000 (2020 - $100,000).

20 Comparative Figures

The December 31, 2020 balances have been restated to conform with the current year's financial statement presentation.

21 Segmented Information

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

Segmentation has been determined on a functional basis with consideration to service delivery and departmental accountabilities. The following is a description of the types of services included in each of the main service segments of the regional district's financial statements. A detailed summary of the 2021 revenues and expenses can be found in Schedule II of the accompanying financial statements. Schedule III contains comparative figures for the year ended December 31, 2020. Prior year figures may have been reclassified to conform to current presentation. Certain comparative figures have been restated to conform with the current year's presentation.

21 Segmented Information (continued)

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

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

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

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

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

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

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

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

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

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

SCHEDULE I

qathet Regional District
Tangible Capital Assets Continuity Schedule
Year Ended December 31, 2021

2020	Land	Land Improvements	Parks Infrastructure	Buildings	Construction in Progress	Machinery & Equipment	Vehicles	Water Systems	Sewer	Structures (Docks and Sheds)	Totals
Cost, beginning of year	$ 1,983,605	$ 3,069,985	$ 130,452	$ 6,085,934	$ 398,295	$ 1,944,184	$ 3,492,115	$ 1,834,656	$ 2,797,020	$ 3,930,330	$ 25,666,576
Additions	-	96,242	-	9,403	2,809,803	275,863	32,444	-	7,681	-	3,231,437
Disposals	-	-	-	(3,226)	(208,240)	-	-	-	-	-	(211,466)
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Cost, end of year	1,983,605	3,166,227	130,452	6,092,112	2,999,857	2,220,047	3,524,559	1,834,656	2,804,701	3,930,330	28,686,546
Accumulated amortization, beginning of year	-	629,321	40,261	1,704,845	-	1,117,758	1,399,737	434,174	841,075	1,291,704	7,458,875
Amortization	-	82,852	3,977	148,162	-	146,909	132,786	45,204	83,838	116,129	759,857
Disposals	-	-	-	(914)	-	-	-	-	-	-	(914)
Accumulated amortization, end of year	-	712,173	44,238	1,852,093	-	1,264,668	1,532,523	479,378	924,912	1,407,834	8,217,818
Net carrying amount, end of year	**$ 1,983,605**	**$ 2,454,055**	**$ 86,214**	**$ 4,240,019**	**$ 2,999,857**	**$ 955,380**	**$ 1,992,036**	**$ 1,355,278**	**$ 1,879,789**	**$ 2,522,496**	**$ 20,468,729**

2021	Land	Land Improvements	Parks Infrastructure	Buildings	Construction in Progress	Machinery & Equipment	Vehicles	Water Systems	Sewer	Structures (Docks and Sheds)	Totals
Cost, beginning of year	$ 1,983,605	$ 3,166,227	$ 130,452	$ 6,092,112	$ 2,999,857	$ 2,220,047	$ 3,524,559	$ 1,834,656	$ 2,804,701	$ 3,930,330	$ 28,686,546
Additions	-	158,923	-	1,234,768	1,123,645	64,124	95,204	13,407	225,573	5,338	2,920,982
Disposals	-	-	-	-	(639,972)	(3,536)	-	-	-	-	(643,508)
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Cost, end of year	1,983,605	3,325,150	130,452	7,326,880	3,483,531	2,280,636	3,619,763	1,848,063	3,030,274	3,935,667	30,964,021
Accumulated amortization, beginning of year	-	712,173	44,238	1,852,093	-	1,264,668	1,532,523	479,378	924,912	1,407,834	8,217,818
Amortization	-	86,252	3,977	165,888		150,234	139,027	45,301	87,364	116,485	794,527
Disposals	-	-	-	-	-	(3,536)	-	-	-	-	(3,536)
Accumulated amortization, end of year	-	798,425	48,215	2,017,981	-	1,411,366	1,671,549	524,679	1,012,276	1,524,319	9,008,809
Net carrying amount, end of year	**$ 1,983,605**	**$ 2,526,725**	**$ 82,237**	**$ 5,308,899**	**$ 3,483,531**	**$ 869,270**	**$ 1,948,214**	**$ 1,323,384**	**$ 2,017,998**	**$ 2,411,349**	**$ 21,955,212**

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

SCHEDULE II

qathet Regional District
Schedule of Segment Disclosure by Service
Year ended December 31, 2021

	General Fund											
	General Government Services	Development Services	Solid Waste Management & Recycling	Other Services	Parks and Recreation Services	Protective Services	Public Health & Welfare	Transportation Services	Water Services	Sewer Services	2021 Actual	2021 Budget (Note 16)
Revenue												
Taxation levies	$ 1,839,699	$ 608,362	$ 986,726	$ 498,599	$ 1,924,994	$ 2,156,951	$ 131,683	$ 133,481	$ -	$ -	$ 8,280,496	$ 8,281,310
Parcel tax	-	-	-	190,000	-	-	-	-	46,405	52,500	288,905	288,905
Grants	1,038,351	45,873	775,198	81,303	100,010	237,824	-	10,829	10,000	-	2,299,388	5,150,840
Waste Management Tipping fees	-	-	1,539,662	-	-	-	-	-	-	-	1,539,662	1,455,000
Sales of Services - Cemetery	-	-	-	109,663	-	-	-	-	-	-	109,663	105,735
Park Fees	-	-	-	-	233,400	-	-	-	-	-	233,400	176,243
Water and Sewer User Fees	-	-	-	-	-	-	-	-	75,437	82,980	158,417	151,011
Interest and Other Revenue	38,553	26,528	111,953	21,023	67,923	220,967	157	12,596	551	190	500,442	659,777
Gain (loss) on disposal of tangible capital assets	-	-	1,964	-	-	-	-	-	-	-	1,964	-
Gain from Actuarial Adjustment on Debenture Debt	-	-	-	-	2,504	4,131	460	-	1,163	529	8,787	-
Total Revenue	2,916,603	680,763	3,415,503	900,588	2,328,832	2,619,872	132,300	156,907	133,556	136,199	13,421,123	16,268,821
Expenses												
Personnel costs	977,976	231,759	112,959	199,749	391,094	644,648	6,522	7,797	9,221	3,424	2,585,148	3,221,149
Grants	65,565	189,378	-	85,665	885,272	230,663	42,500	124,109	-	-	1,623,151	1,735,157
General goods and services	618,795	142,006	2,415,040	344,780	389,925	947,162	42,498	21,406	87,198	90,158	5,098,969	6,425,190
Debt charges	1,352	-	310	160	3,850	32,121	6,493	-	1,283	717	46,286	145,928
Transfers to other local government	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of tangible capital assets	73,422	14,428	21,473	149,961	122,892	257,821	20,810	992	45,301	87,428	794,527	-
Landfill closure/post closure allowances	-	-	349,486	-	-	-	-	-	-	-	349,486	148,147
Total Expenses	1,737,110	577,571	2,899,269	780,314	1,793,033	2,112,415	118,823	154,304	143,003	181,728	10,497,568	11,675,571
Annual Surplus (Deficit)	$ 1,179,493	$ 103,193	$ 516,234	$ 120,274	$ 535,799	$ 507,457	$ 13,477	$ 2,603	$ (9,446)	$ (45,529)	$ 2,923,555	$ 4,593,250

SCHEDULE III

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

	General Fund											
	General Government Services	Development Services	Solid Waste Management & Recycling	Other Services	Parks and Recreation Services	Protective Services	Public Health & Welfare	Transportation Services	Water Services	Sewer Services	2020 Actual	2020 Budget
Revenue												
Taxation levies	$ 1,724,304	$ 579,636	$ 943,380	$ 486,502	$ 1,909,272	$ 2,101,111	$ 132,548	$ 131,642	$ -	$ -	$ 8,008,395	$ 8,012,639
Parcel tax	-	-	-	190,000	-	-	-	-	46,405	52,500	288,905	288,905
Grants	992,478	-	2,231,480	13,146	3,250	266,585	-	8,245	-	-	3,515,185	5,358,162
Waste Management Tipping fees	-	-	1,409,995	-	-	-	-	-	-	-	1,409,995	1,370,640
Sales of Services - Cemetery	-	-	-	91,343	-	-	-	-	-	-	91,343	96,534
Park Fees	-	-	-	-	181,703	-	-	-	-	-	181,703	176,243
Water and Sewer User Fees	-	-	-	-	-	-	-	-	76,351	75,593	151,945	142,650
Interest and Other Revenue	77,092	15,427	151,666	47,743	54,717	253,761	1,053	18,395	4,884	1,661	626,400	444,835
Gain (loss) on disposal of tangible capital assets	-	-	-	-	(2,312)	-	-	-	-	-	(2,312)	-
Gain from Actuarial Adjustment on Debenture Debt	-	-	-	-	2,284	3,527	227	-	1,149	460	7,647	-
Total Revenue	2,793,875	595,063	4,736,521	844,697	2,148,914	2,624,984	133,828	158,282	128,789	130,215	14,279,205	15,890,608
Expenses												
Personnel costs	932,069	225,900	104,177	203,685	417,517	520,025	5,057	7,418	7,412	4,421	2,427,681	2,922,805
Grants	60,064	187,824	-	84,985	866,219	208,026	42,500	90,204	-	-	1,539,822	1,599,927
General goods and services	498,743	118,176	2,167,878	227,298	390,830	1,018,081	46,145	26,777	76,467	97,207	4,667,601	6,008,377
Debt charges	4,468	-	-	1,354	3,850	36,996	6,493	-	1,909	1,540	56,609	-
Transfers to other local government	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of tangible capital assets	69,980	14,428	21,473	149,417	117,888	235,762	20,810	992	45,204	83,902	759,857	-
Landfill closure/post closure allowances	-	-	117,713	-	-	-	-	-	-	-	117,713	250,000
Total Expenses	1,565,324	546,328	2,411,242	666,739	1,796,304	2,018,890	121,005	125,390	130,992	187,070	9,569,283	10,781,109
Annual Surplus (Deficit)	$ 1,228,551	$ 48,734	$ 2,325,279	$ 177,958	$ 352,610	$ 606,095	$ 12,823	$ 32,892	$ (2,203)	$ (56,855)	$ 4,709,922	$ 5,109,499

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