



Regional Board Report

TO: Regional Board

FROM: Marilyn Rilkoff
Director of Financial Services

DATE: May 5, 2021

SUBJECT: 2020 RDCO Financial Statements

Voting Entitlement: All Directors – Unweighted Corporate Vote – Simple Majority – LGA 208.1

Purpose: To report annual financial information to the Board and comply with legislative requirements for filing Financial Statements by May 15th.

Executive Summary:

The 2020 Financial Statements are submitted for approval by the Board as required by legislation—Section 167 of the *Community Charter*.

In the opinion of the auditors, BDO, the financial statements present fairly, in all material respects, the financial position of the Regional District of Central Okanagan as at December 31, 2020 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.

RECOMMENDATION:

THAT the Regional District of Central Okanagan Financial Statements – year ended December 31, 2020 be approved.

Respectfully Submitted:

A handwritten signature in black ink, appearing to read "M. Rilkoff", written over a light blue horizontal line.

Marilyn Rilkoff
Director of Financial Services

Approved for Board's Consideration

A handwritten signature in black ink, appearing to read "Brian Reardon", written over a light blue horizontal line.

Brian Reardon, CAO

Implications of Recommendation:

Strategic Plan:	The 2020 – 2024 Financial Plan, Department Initiatives and Program Plans were approved March 23, 2020, followed by six amendments. Expenditures were made in accordance with the Financial Plan.
General:	Legislative Compliance.
Organizational:	To report on the financial status of the organization.
Financial:	Compliance with the legislative requirements. Part of the Financial Control System.
Legal/Statutory Authority:	Expenditures were approved in the 2020 – 2024 Financial Plan Bylaw 1449 and Amending Bylaws 1460, 1461, 1470, 1472, 1474 and 1480. <i>Local Government Act</i> <i>Community Charter</i> <i>Financial Information Act</i> <i>Financial Information Regulation</i>

Background:

The financial statements have been prepared in accordance with PSAB Standards and audited by BDO Dunwoody, and a clean audit opinion has been received.

Once the Board has approved the Financial Statements, the auditors will finalize the Audit Report and Final Financial Statements and a signed copy will be available in the Board's Reader File.

According to the Canadian Audit Standard 560, the date of BDO's audit report is required to be the date that those charged with governance (the Board) formally approve the draft financial statements as presented. The auditors must receive the approval and perform "subsequent events" work up to this date (procedures relating to subsequent events while financial statements are being presented for approval if audit staff have left the premises prior to the date of the report), prior to releasing the final financial statements.

In prior years, the Management Letter was brought forward to an In Camera meeting as a matter of course. In recent years, the letter is only brought forward if there are any items identified. This is not a requirement, but simply done for transparency to the Board. The letter is meant to be a confidential communication between the auditors and management to flag any potential discussion items and potential improvements. For 2020 and the past few years, there have been no items identified.

If the Board ever has any concerns with the audit, including fraud or financial matters, they are invited to submit their concerns to the Chair or BDO.

Financial Statement Highlights:

- The accumulated surplus has increased by \$8.25 million from \$137,809,761 to \$146,062,800 as per page 7 of the Financial Statements. NOTE: This is NOT surplus cash that the RDCO has to spend.
Under Public Sector Accounting Standards the meaning of “Accumulated Surplus” is the Sum of Net Financial Assets (which is Financial Assets, less the Financial Liabilities) and Non-Financial Assets (primarily Tangible Capital Assets, or TCA’s). The RDCO remains in a strong and vital financial position. The Board and Staff will continue, through enacting directives in the Strategic Plan and through Asset Management initiatives, to maintain and build sustainable stewardship of the assets.
- The RDCO holds \$112 million in long term debt (page 6 of Financial Statements):
 - The majority, \$107.8m (note 4, page 13 of Financial Statements) is on behalf of the 4 (four) partner municipalities – Kelowna, Peachland, Lake Country and West Kelowna and the Regional Library. Long term borrowing is done through the Municipal Finance Authority, via the RDCO as required by legislation. These long term debt agreements decreased by \$12.3m from \$120.1m in 2019 to \$107.8m in 2020.
 - Only \$4.23 million of the long term debt relates to the Regional District’s services (\$4.05m for the Fintry Shalal Water System).
- There was a net increase to reserves in 2020 of \$6.57 million, from \$24.99m in 2019 to \$31.56m (page 21 of the Financial Statements). This was after investments in tangible capital asset additions of \$4.3m (Note 10, page 19).
 - In simple terms of reserves for asset renewal, the RDCO still needs to continue to set aside higher levels of reserves. In recent years, significant land acquisitions and investments and replacement of assets have been made, particularly in relation to parks, water systems and the wastewater treatment plant. While this has drawn down some reserve balances, most are at reasonable levels.
- DCC reserve balances increased by a net \$294.5k. While contributions of \$1.06m were received, \$837k was used for projects (page 14 – Note 6, and pages 47 and 48 of the Financial Statements). The current balance is \$6.15m (vs \$5.86m in 2019). DCC Bylaws have been updated and rates have been increased.
- Amortization (or asset consumption) was \$3.95m (Pages 7 and 19 of the Financial Statements).
- Revenues decreased \$1.59m from \$58.37m in 2019 to \$56.78m in 2020 primarily due to reduced debt services payments from the municipalities. Related debt expenses were reduced accordingly (Page 7 of the Financial Statements).

Work continues by all Departments and services on Asset Management and increasing infrastructure reserves.

Attachment(s):

- Financial Services Report – Guide to Understanding the Financial Statements
- RDCO Audited 2020 Financial Statements