



# REPORT

To: Chair and Directors

Report Number: FN-BRD-071

From: Teri Vetter, Chief Financial Officer

Date: June 24, 2021

**Subject: 2020 Peace River Regional District Financial Statements**

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## **RECOMMENDATION #1: [Corporate Unweighted]**

That the Regional Board accept the Draft Peace River Regional District 2020 Financial Statements effective June 24, 2021.

## **RECOMMENDATION #2: [Corporate Unweighted]**

That the Regional Board approve the Draft Financial Statements as presented as the final Financial Statements for year ended December 31, 2020 effective June 24, 2021 and authorize the Chair and the Chief Financial Officer to sign the Peace River Regional District 2020 Financial Statements.

## **BACKGROUND/RATIONALE:**

In accordance with Section 376 of the *Local Government Act* and Section 167 of the *Community Charter*, the Audited Financial Statements must be presented for Board approval prior to May 15<sup>th</sup>; however due to unforeseen issues creating the statements in the new software and advertising requirements, the statements are being presented past the legislated date. The CFO has been in contact with the Province to make them aware of the delay, and they were very accepting. The format and presentation of these financial statements are in accordance with Generally Accepted Accounting Principles (GAAP) for local government as recommended by the Public Sector Accounting Board (PSAB) standards of the Chartered Professional Accountants of Canada. They have been applied on the basis that is consistent with that of the preceding year.

Once the Draft Statements are approved and adopted by the PRRD Board, this date becomes the date of the Independent Auditor's Report and the Final PRRD Financial Statements for the year ended December 31, 2020.

The Financial Statements for the PRRD combine General, Water, Sewer, Capital, and Reserve Funds and eliminate internal transactions. The Financial Statements are prepared using the accounting standards and reporting model prescribed by PSAB which requires eliminating Transfer to/from Reserves, and allocations between functions. The use of assets is recorded through amortization expense, and capital expenditures are capitalized, not expensed in the year.

The Financial Statements are comprised of the following:

- Statement of Financial Position
- Statement of Operations and Accumulated Surplus
- Statement of Changes in Net Financial Assets
- Statement of Cashflow
- Notes to the Financial Statements

**ALTERNATIVE OPTIONS:**

1. That the Regional Board provide further direction.

**STRATEGIC PLAN RELEVANCE:**

- ☒ Not Applicable to Strategic Plan.

**FINANCIAL CONSIDERATION(S):**

The PRRD is in a Net Asset position which means that the District has sufficient financial assets (\$71.1M) to settle existing liabilities (\$30.73M). As the PRRD's total assets exceed total liabilities, the PRRD is in an accumulated surplus position, meaning that the PRRD has net positive resources that, subject to direction of the Board, could be used to provide future services. The PRRD has an annual surplus of \$7,410,482 (2019 - \$10,488,033).

The PRRD generated approximately \$11.98M from operations and those funds were used to acquire \$6.91M in tangible capital assets and repay \$5.39M in financing while still leaving the Regional District in a good financial position. Increases/decreases from 2019 financial statements are highlighted below:

*Statement of Financial Position*

- Decrease in Cash & Cash Equivalents of \$42.26M due to investing
- Increase of \$864K to Accounts Receivable mainly due to EMBC claims
- Increase of \$43.13M to investments
- Decrease of \$156K from Deferred Revenue due to revenue being recognized
- Increase of \$2.8M to Landfill Closure & Post Closure due to updated data
- Decrease of \$5.39M in Regional District debt due to principal payments
- Decrease of \$5.37M in member Municipality debt due to principal payments
- Increase of \$4.01M to Tangible Capital Assets

*Statement of Operations:*

- Increase of \$1.09M to requisition
- Increase of \$187K to investment income due to higher returns
- Increase of \$284K to Fees, Charges & Others
- Increase of \$820K to Operating Government transfers due to the COVID Safe Restart grant
- Increase of \$1.35M in General Government expenses due to legal, consulting fees, and grants awarded from Reserves
- Increase of \$4.11M in Environmental Service expenses due to Landfill Closure expense and contracting fees
- Decrease of \$1.77M in Recreation and Culture due to a decrease in Recreation expenses due to COVID-19
- Increase of \$496K in Water and Sewer expenses due to unforeseen repairs and maintenance

**COMMUNICATIONS CONSIDERATION(S):**

Once approved, the Financial Statements will be submitted to the Province, posted to the PRRD website and become an integral part of the 2020 Annual Report.

**OTHER CONSIDERATION(S):**

Additional items have been added to the notes in this year's statements based on Government Finance Officers Association's (GFOA) recommendations. These changes include the note to Deferred Revenue (Note 9), additional note for Government transfers (Note 16) and Future Accounting Pronouncements (Note 2 (o)) which take effect for fiscal years beginning on or after April 2022 and April 2023.

**Attachments:**

1. Draft 2020 PRRD Financial Statements
2. 2020 PRRD Audit Findings Letter