



Regional Board Report

TO: Regional Board

FROM: Carol Teschner
Manager – Financial Services

DATE: April 30, 2019

SUBJECT: RDCO 2018 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.

Executive Summary:

The 2018 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 position of the Regional District of Central Okanagan as at December 31, 2018 and the results of its operations and its cash flows for the year the ended in accordance with Canadian Public Sector Accounting Standards.

RECOMMENDATION:

THAT the Regional District of Central Okanagan Financial Statements – year ended December 31, 2018 be approved.

Respectfully Submitted:

Carol Teschner
Manager – Financial Services

Approved for Board's Consideration

Brian Reardon, CAO

Implications of Recommendation:

Strategic Plan:	The 2018 – 2022 Financial Plan, Department Initiatives and Program Plans were approved at the end of March 2018. 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 2018 – 2022 Financial Plan Bylaw 1414 and Amending Bylaws 1418, 1422, 1429 and 1430 <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 signed copy will be available in the 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.

Financial Statement Highlights:

- The accumulated surplus has increased by \$9.99 million from \$121,325,174 to \$131,317,589 as per page 6 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 is 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.

- While the RDCO holds \$141.5 million in long term debt (page 6 of Financial Statements), the majority - \$136.8m (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. Only \$4.7 million of the long term debt relates to the Regional District's services.
- There was a net increase to reserves in 2018 of \$3.82 million, from \$17.1m in 2017 to \$20.9m (page 21 of the Financial Statements). This was after investments in tangible capital asset additions of \$7.99m (Note 10, page 19). DCC reserve balances decreased by \$2.2m (down from \$6.2m in 2017 – page 14 – Note 6, and pages 46 and 47 of the Financial Statements). Amortization (or asset consumption) is \$3.96m. 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.

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 2018 Financial Statements