

REGIONAL DISTRICT OF BULKLEY-NECHAKO

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016



INDEPENDENT AUDITORS' REPORT

To the Directors of
Regional District of Bulkley-Nechako

We have audited the accompanying financial statements of the Regional District of Bulkley-Nechako, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of financial activities, change in financial assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Regional District of Bulkley-Nechako as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards. As required by the Local Government Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

April 20, 2017
Prince George, BC

PricewaterhouseCoopers LLP
Chartered Professional Accountants

PricewaterhouseCoopers LLP
556 North Nechako Road, Suite 10, Prince George British Columbia, Canada V2K 1A1
T: +1 250 564 2515, F: +1 250 562 8722, www.pwc.com/ca

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 9,613,911	\$ 9,357,028
Accounts receivable	284,921	456,877
Grants receivable	92,813	88,377
Debt Reserve Fund - Municipal Finance Authority (Note 3)	125,472	121,941
Debentures recoverable from municipalities (Note 4)	4,301,364	4,641,176
	14,418,481	14,665,399
LIABILITIES		
Accounts payable and accrued liabilities (Note 5, 10 and 12)	3,365,593	3,494,919
Deferred revenue (Note 6)	3,872,593	4,152,132
Debt Reserve Fund - Municipal Finance Authority (Note 3)	95,647	95,973
Debentures issued for municipalities (Note 4)	4,301,364	4,641,176
Debentures issued for the Regional District (Note 9)	2,353,480	2,302,304
	13,988,677	14,686,504
NET FINANCIAL ASSETS	429,804	(21,105)
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 3)	14,583,909	14,700,382
Prepaid expenses	53,850	61,850
	14,637,759	14,762,232
ACCUMULATED SURPLUS (Note 15)	\$ 15,067,563	\$ 14,741,127

CONTINGENCIES (Note 10)

Approved by the Board:


 _____ Chairperson

 _____ Financial Administrator

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2016

	2016		2015
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 13)		
REVENUE			
Property tax requisition			
Municipal	\$ 3,525,138	\$ 3,525,141	\$ 3,430,933
Electoral area	<u>5,467,234</u>	<u>5,459,747</u>	<u>5,316,987</u>
	8,992,372	8,984,888	8,747,920
Grants-in-lieu of taxes	898,678	943,625	907,364
Fees and permits	611,107	603,854	732,584
Federal grants - conditional	938,699	1,168,534	602,953
Municipal debt payments (Note 3)	581,691	494,858	592,680
Provincial grants - unconditional	185,000	182,823	191,886
Provincial grants - conditional	750,000	-	70,350
Sundry	23,635	88,427	175,322
Emergency expenditure recoveries	300,000	24,688	141,548
Interest	17,500	132,672	140,470
Other grants - conditional	312,428	143,775	131,466
Municipal cost sharing	108,340	108,340	94,542
Administration recoveries	51,942	52,446	42,392
Debt sinking fund actuarial earnings (Note 8)	-	45,541	38,343
Donations	<u>171,246</u>	<u>55,429</u>	<u>1,841</u>
	<u>13,942,638</u>	<u>13,029,900</u>	<u>12,611,641</u>
EXPENSES (Schedule 1)			
Environmental services	5,047,755	3,896,675	3,955,208
Government - general, rural and local commission	3,116,861	2,853,294	2,362,389
Recreation and culture	2,010,163	1,940,617	1,825,406
Fire protection and emergency response	1,982,920	1,446,987	1,575,712
Building inspection, building numbering, Planning and development services	1,073,768	912,179	829,087
Municipal debt payments (Note 3)	581,691	494,858	592,680
Economic development	1,053,103	575,429	622,607
Sewer and water	184,568	110,090	112,192
Street lighting and transportation	<u>1,708,477</u>	<u>473,335</u>	<u>104,790</u>
	<u>16,759,306</u>	<u>12,703,464</u>	<u>11,980,071</u>
ANNUAL SURPLUS (DEFICIT)	(2,816,668)	326,436	631,570
ACCUMULATED SURPLUS - BEGINNING OF YEAR	<u>14,741,127</u>	<u>14,741,127</u>	<u>14,109,557</u>
ACCUMULATED SURPLUS - END OF YEAR (Note 15)	<u>\$ 11,924,459</u>	<u>\$ 15,067,563</u>	<u>\$ 14,741,127</u>

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
CONSOLIDATED STATEMENT OF CHANGE IN FINANCIAL ASSETS

For the year ended December 31, 2016

	<u>2016</u>		<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
ANNUAL (DEFICIT) SURPLUS	\$ (2,816,668)	\$ 326,436	\$ 631,570
Acquisition of tangible capital assets	-	(846,212)	(2,693,839)
Loss (gain) on sale of tangible capital assets	-	6,457	(10,845)
Proceeds on sale of tangible capital assets	-	29,275	35,844
Amortization of tangible capital assets	1,003,300	926,953	900,901
	(1,813,368)	442,909	(1,136,369)
Net use of (addition to) prepaid expenses	-	8,000	(931)
CHANGE IN NET FINANCIAL ASSETS	(1,813,368)	450,909	(1,137,300)
NET FINANCIAL ASSETS AT BEGINNING OF THE YEAR	(21,105)	(21,105)	1,116,195
NET FINANCIAL ASSETS AT END OF THE YEAR	<u>\$ (1,834,473)</u>	<u>\$ 429,804</u>	<u>\$ (21,105)</u>

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 326,436	\$ 631,570
Add: Non-cash items		
Amortization of tangible capital assets	926,953	900,901
Loss (gain) on sale of tangible capital assets	6,457	(10,845)
Changes in non-cash working capital:		
Accounts receivable	171,956	(140,957)
Grants receivable	(4,436)	3,093
Accounts payable and accrued liabilities	(129,326)	387,246
Deferred revenue	(279,539)	256,590
Prepaid expenses	8,000	(931)
	1,026,501	2,026,667
FINANCING ACTIVITIES		
Actuarial earnings on debt sinking fund	(45,541)	(38,343)
Debt Reserve Fund - Municipal Finance Authority	(3,857)	(645)
Debt proceeds	533,973	1,547,000
Debt repayments	(437,256)	(211,258)
	47,319	1,296,754
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(846,212)	(2,693,839)
Proceeds on disposal of tangible capital assets	29,275	35,844
	(816,937)	(2,657,995)
INCREASE DURING THE YEAR	256,883	665,426
CASH AND TEMPORARY INVESTMENTS AT BEGINNING OF THE YEAR	9,357,028	8,691,602
CASH AND TEMPORARY INVESTMENTS AT END OF THE YEAR (Note 2)	\$ 9,613,911	\$ 9,357,028

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

The Regional District of Bulkley-Nechako ("the Regional District") was incorporated as a regional district on February 1, 1966 under the Municipal Act (replaced by the Local Government Act) of British Columbia. The Regional District provides a political and administrative framework for region-wide, inter-municipal and sub-regional services and acts as the local government for electoral areas.

1. SIGNIFICANT ACCOUNTING POLICIES

The Regional District uses Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB"), of the Chartered Professional Accountants of Canada.

Basis of Presentation

The consolidated financial statements include the combined results and activities of the Regional District's Operating, Capital and Reserve Funds. Inter-fund transactions and balances have been eliminated for the preparation of the consolidated financial statements. The purpose of each fund is as follows:

Operating Funds - These funds include the General, Water, and Sewer operations of the Regional District. Operating funds are used to record the costs associated with providing Regional District services.

Capital Funds - These funds include the General, Water, and Sewer Capital Funds. These funds track the acquisition costs of various tangible capital assets and the funding of these assets including related long-term debt.

Reserve Funds - These funds are established by bylaw, under the Local Government Act of British Columbia, by the Board of Directors for specified purposes. The assets and interest, in these funds, thereon must be used only for the purpose for which the fund was established and if the amount in a Reserve Fund is greater than required, the Board of Directors may, by bylaw, transfer all or a portion of the balance to another Reserve Fund.

Budget figures disclosed throughout the financial statements have been extracted from the 2016 final budget, adopted in March 24, 2016 and are unaudited.

Subsequent amendments to the budget bylaw are not reflected in the budget figures.

Basis of Accounting

Restricted Fund accounting is used.

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset, excluding interest costs.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also recorded as revenue.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
NOTES TO THE CONSOLIDATE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES, continued

Amortization

The Regional District amortizes tangible capital assets on a straight line basis over the estimated useful life of the asset.

Buildings	40-50 years
Water and waste systems	50 years
Heavy vehicles	10-20 years
Passenger vehicles	6-10 years
Other equipment	5-10 years

Full annual amortization is charged in the year of acquisition and non in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Revenue Recognition

Tax revenue from local government requisitions are recognized in the year levied, provided that the effective date of tax has passed and the related bylaws have been approved by the Board of Directors.

Government transfers (grants) are the transfer of monetary assets or tangible capital assets from senior levels of government that are not the result of an exchange transaction, not expected to be repaid in the future, and not expected to generate a financial return to the transferor.

Grants without eligibility criteria or stipulations (unconditional) are recognized as revenue when the grant is authorized.

Grants with eligibility criteria or stipulations (conditional) are recognized as revenue when the grant is authorized and all eligibility criteria are met.

Grants with or without eligibility criteria but with stipulations (conditional) are recognized as revenue when the grant is authorized and all eligibility criteria are met, except to the extent that the grant gives rise to an obligation.

Grants received from the Federal Gas Tax Agreement are contributed to a federal gas tax reserve and recorded as revenue in the year amounts are expended on qualifying projects.

Revenue from sales or services is recognized at the point of sale or when service is provided.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
NOTES TO THE CONSOLIDATE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Uncertainty

The preparation of the Consolidated Financial Statements in accordance with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the year. These estimates and assumptions are based on management's judgement and the best information available at the time of preparation and may differ significantly from actual results. Estimates are reviewed periodically or as new information becomes available, by management, and as adjustments become necessary, they are reported in earnings in the period in which they become known. Significant estimates include the determination of the useful life of tangible capital assets, valuation of the landfill closure and post-closure obligation, and provisions for contingencies.

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.

Financial Instruments

Measurement of financial instruments

The District initially measures its financial assets and financial liabilities at fair value. The District subsequently measures all its financial assets and financial liabilities at cost.

Financial assets measured at cost include cash, accounts receivable, cash deposits included in the debt reserve fund – Municipal Finance Authority, and debentures recoverable from municipalities. Financial assets measured at fair value include temporary investments.

Financial liabilities measured at cost include accounts payable and accrued liabilities, debentures issued for municipalities, debentures issued for the Regional district, and financial liabilities included in the debt reserve fund –Municipal Finance Authority.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The District recognizes its transaction costs in net income in the period incurred. However, the carrying amount of the financial instruments that will not be subsequently measured at fair value is reflected in the transaction costs that are directly attributable to their origination, issuance or assumption.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
NOTES TO THE CONSOLIDATE FINANCIAL STATEMENTS

For the year ended December 31, 2016

2. CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to know amounts of cash. Temporary investments have a maturity of one year or less, are carried at market value which approximates cost. Interest rates for temporary investments range from 1.4% to 2.35%. Cash and temporary investments are allocated as follows:

	2016	2015
Cash	\$ 469,797	\$ 422,238
Temporary investements	9,144,114	8,934,790
	\$ 9,613,911	\$ 9,357,028

3. DEBT RESERVE FUND – MUNICIPAL FINANCE AUTHORITY

The Regional District issues debt instruments through the Municipal Finance Authority of British Columbia ("MFA"), and as a condition of borrowing, one percent of the debenture proceeds is withheld as a debt reserve fund. The Regional District also executes demand notes in connection with each debenture whereby the Regional District could be required to pay certain amounts to MFA in excess of the debt borrowed. The demand notes are contingent in nature, and it is unlikely that they will be called; therefore, a liability has not been reported in the consolidated financial statements (see note 10).

The Regional District reports the Debt Reserve Fund balances for both debts issued on its behalf, and on behalf of member municipalities, as a financial asset. Because all Debt Reserve Fund refunds received on behalf of Municipal borrowing are repayable to those Municipalities, the Municipal portion of the Debt Reserve Fund balances are also reported as a financial liability.

4. DEBT RECOVERABLE FROM MUNICIPALITIES

When a member Municipality within the Regional District wishes to issue debenture debt through the Municipal Finance Authority of British Columbia ("MFA"), the borrowing is done through the Regional District. The Regional District is therefore responsible for repayment of the debt to MFA. When payments (interest and sinking fund or principal) are made on this debt, the Regional District pays MFA and is in turn reimbursed by the Municipality.

The Regional District therefore reports the net outstanding debt borrowed on behalf of Municipalities as both a financial liability and a financial asset.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
NOTES TO THE CONSOLIDATE FINANCIAL STATEMENTS

For the year ended December 31, 2016

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade payables	\$ 406,958	\$ 543,420
Vacation accrual	215,232	327,559
Sick leave accrual (Note 10)	245,218	224,687
Retirement accrual (Note 10)	155,541	197,105
Accrued debenture interest	17,241	16,205
Landfill closure cost accrual (Note 12)	2,325,403	2,185,943
	\$ 3,365,593	\$ 3,494,919

6. DEFERRED REVENUE

	2016	2015
Federal Gas Tax reserve	\$ 3,852,652	\$ 4,136,684
Provincial	1,989	1,989
Other	17,952	13,459
	\$ 3,872,593	\$ 4,152,132

7. CREDIT FACILITY

The Regional District has available on an authorized operating line of credit to a maximum of \$400,000. This facility bears interest at prime rate (December 31, 2016 2.7%) and is secured by the current borrowing resolution. The facility remained unused at year end.

8. SINKING FUND ACTUARIAL EARNINGS

The majority of issues of debt instruments through the Municipal Finance Authority of B.C. are sinking fund debentures. The Authority uses a 4-5% internal rate of return when it sets the annual sinking fund payments required. The actuarial earnings on Debt Sinking Funds reported on the Consolidated Statement of Financial Position are computed at this 4-5% rate of return.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE CONSOLIDATE FINANCIAL STATEMENTS

For the year ended December 31, 2016

9. DEBENTURES ISSUED FOR THE REGIONAL DISTRICT

The Regional District's long-term debt is in the form of debentures issued by the Municipal Finance Authority of British Columbia ("MFA"). These are all sinking fund debentures, stated and repayable in Canadian funds as shown below:

Service borrowing was incurred for:	Originally Borrowed		Year of Maturity	Current Rate of Interest	Net Debt Outstanding	
	Year	Amount			2016	2015
Environmental Services	2008	677,000	2018	4.65%	157,428	231,631
Environmental Services	2010	729,517	2020	3.73%	326,483	400,410
Burns Lake Arena	1999	200,000	2019	6.20%	43,085	56,222
Fort Fraser Sewer	2001	30,000	2016	5.93%	-	2,753
Fort Fraser Fire Protection	2004	147,140	2019	5.30%	38,604	50,267
Luck Bay Fire Protection	2006	125,000	2026	1.75%	74,602	80,576
Luck Bay Fire Protection	2010	10,000	2030	3.73%	7,773	8,181
Environmental Services	2015	1,547,000	2020	1.42%	1,171,532	1,472,264
Baker Airport	2016	167,625	2021	1.44%	167,625	-
Topley Rural Fire Protection	2016	366,348	2041	2.10%	366,348	-
		<u>\$ 3,999,630</u>			<u>\$ 2,353,480</u>	<u>\$ 2,302,304</u>

Scheduled principal, interest, total debt payments, and actuarial earnings projected on the sinking funds over the next 5 years are:

	Principal Payments	Interest Payments	Total Payments	Actuarial Earnings
2017	449,774	106,213	555,987	51,537
2018	454,136	86,111	540,247	59,500
2019	402,163	62,056	464,219	40,708
2020	319,974	41,358	361,332	29,587
2021	182,207	12,369	194,576	4,494

REGIONAL DISTRICT OF BULKLEY-NECHAKO
NOTES TO THE CONSOLIDATE FINANCIAL STATEMENTS

For the year ended December 31, 2016

10. CONTINGENCIES

Municipal Finance Authority Demand Notes

The Regional District is contingently liable to the Municipal Finance Authority of British Columbia ("MFA") in excess of the amounts borrowed under the terms of demand notes issued to MFA.

Member municipalities have signed offsetting demand notes to the Regional District for borrowing made on their behalf. The amounts are as follows:

	2016	2015
Demand Notes Outstanding:		
Borrowing on behalf of member municipalities	\$ 202,242	\$ 206,156
Borrowing for Regional District purposes	95,975	92,270
	\$ 298,217	\$ 298,426

Employee Sick Leave

The Regional District is contingently liable to pay its employees sick leave. The total value of the accumulated sick time is \$453,613 at December 31, 2016 (2015 - \$415,005). As at year-end an amount of \$245,218 (2015 - \$224,687) has been accrued as an estimate of the liability.

Employee Retiring Allowance

The Regional District is contingently liable to pay employees one week salary for every year of employment to a maximum of 13 weeks upon normal retirement from the Regional District. The total value of this retiring allowance is \$176,195 at December 31, 2016 (2015 - \$218,412). As at year-end an amount of \$155,540 (2015 - \$197,106) has been accrued as an estimate of the liability.

11. MUNICIPAL PENSION PLAN

The municipality 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 overseeing management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 36 contributors for The Regional District of Bulkey-Nechako.

The most recent actuarial valuation as at December 31, 2015 indicated a \$2,224 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2018 with results available in 2019. Employers participating in the Plan record their pension expenses 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 accrues assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocation the obligation, assets and cost to the individual employers participating in the Plan.

The Regional District of Bulkley-Nechako paid \$263,071 (2015 - \$227,714) for employer contributions to the Plan in fiscal 2016.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
NOTES TO THE CONSOLIDATE FINANCIAL STATEMENTS

For the year ended December 31, 2016

12. UNFUNDED LIABILITY FOR LANDFILL CLOSURE COSTS

Accounts payable and accruals include \$ 2.33 million of liabilities at December 31, 2016 (\$2.19 million at December 31, 2015) which the Public Sector Accounting and Auditing Board stipulates be recognized in the financial statements but which are not included in the Regional District's budgets but are recorded as accounting adjustments at the end of the year. These amounts represent management's best estimate of the future closure and post-closure costs of both active and inactive landfill sites in the Regional District. In management's opinion the closure cost liability and expense could change within a range of +/- 10% (minimum of 2.1 million to a max of 2.56 million). As at December 31, 2016 the required length of time for post closure core is 25 years. However, it is expected to increase to 30 years as the Ministry of Environment is proposing changes to landfill legislation that could come into effect in the near future. The Knockholt site is expected to last until the year 2076 and the Clearview site was built with a 100 year expected life span lasting until the year 2106. Additional costs will be recognized in future years during the life of active landfill sites in proportion to the waste capacity used up in each year. A reserve created to fund closure and post-closure monitoring costs held a balance of \$360,650 as at December 31, 2016 (2015 - \$423,302).

13. FEDERAL GAS TAX AGREEMENTS

Gas Tax funding is provided by the Government of Canada. The use of the funding is established by funding agreement between the Regional District and the Union of British Columbia Municipalities. Gas Tax funding may be used towards qualifying expenditures as specified in the funding agreement. The Regional District maintains the amounts in a statutory reserve.

	<u>2016</u>	<u>2015</u>
Opening balance	<u>\$ 4,136,684</u>	<u>\$ 3,887,455</u>
Add: Amounts received in the year	<u>880,880</u>	852,181
Interest earned	<u>61,059</u>	62,365
	<u>941,939</u>	<u>914,546</u>
Less: Amounts spent in the year	<u>(1,225,971)</u>	<u>(665,317)</u>
Closing balance	<u>\$ 3,852,652</u>	<u>\$ 4,136,684</u>

REGIONAL DISTRICT OF BULKLEY-NECHAKO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

14. BUDGET

The Financial Plan adopted by the Board of Directors was prepared on a modified accrual basis while the consolidated financial statements are prepared on a full accrual basis as required by Canadian Public Sector Accounting Standards. The Financial Plan anticipated the use of surpluses accumulated in prior years to supplement current year revenues. In addition, the Financial Plan expensed tangible capital asset expenditures, debt re-payments and reserve transfers. The budget figures included in these Financial Statements represent the Financial Plan adopted by the Board of Directors with adjustments as follows:

	2016
Budgeted deficit per statement of financial activities	\$ (2,816,662)
Less: Capital expenditures	(1,242,693)
Debt principal payments	(816,474)
Contributions to reserves	(1,633,075)
Prior year net deficitis	(194)
	(3,692,436)
Add: Prior years net surplus	2,333,751
Withdrawal from capital reserves	1,716,091
Transfer from equity in tangible capital assets	1,003,300
Debenture issue	1,455,956
	6,509,098
Surplus in the Financial Plan	\$ -

15. FUND ALLOCATION

The accumulated surplus at the end of the year is comprised of the following Funds:

	2016	2015
Operating	\$ 1,338,459	\$ 3,518,558
Reserves	3,187,593	2,888,805
Capital	(4,096,248)	(6,428,468)
Non-Financial Assets	14,637,759	14,762,232
	\$ 15,067,563	\$ 14,741,127

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE CONSOLIDATE FINANCIAL STATEMENTS

For the year ended December 31, 2016

16. FINANCIAL INSTRUMENTS

The Regional District's financial instruments are comprised of cash, temporary investments, accounts receivable, debt reserve funds –Municipal Finance Authority, debentures recoverable from municipalities, accounts payable and accrued liabilities, debentures issued for municipalities, and debentures issued for the Regional District.

Liquidity risk

Liquidity risk is the risk that the Regional District will encounter difficulty in meeting obligations associated with financial liabilities. The Regional District is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, debentures issued for municipalities and debentures issued for the Regional District. The Regional District manages this risk by holding a sufficient amount of funds in highly liquid investments, and closely monitoring cash flows.

Credit risk

Credit risk is the risk that the Regional District will incur financial losses if a debtor fails to make payments when due. The Regional District is exposed to credit risk on its debenture recoverable from municipalities and accounts receivable. Risk in respect to the debentures recoverable from municipalities is managed primarily by the policies put in place by the Municipal Finance Authority of British Columbia ("MFA"). The maximum exposure to credit risk in respect to accounts receivable is limited to the carrying amount of accounts receivable, which is managed by credit policies such as limiting the amount of credit extended and obtaining security deposits where appropriate.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Regional District is mainly exposed to interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that the Regional District's debt servicing costs and the value of certain investments will fluctuate due to changes in interest rates. In respect of debt servicing costs, the risk is minimal as all of the Regional District's long-term debentures are fixed rate, and is usually refinanced every five to ten years as that is when most underlying debentures issued by the MFA mature. Investments subject to interest rate risk include guaranteed investment certificates (Note 2). The amount of risk is minimal due to the short terms of the investments.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

For the year ended December 31, 2016

	2016		2015
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Staff remuneration and benefits	\$ 3,959,033	\$ 3,653,901	\$ 3,339,928
Purchased services and supplies	5,450,147	3,618,178	3,606,514
Payments to societies	3,723,530	2,361,307	1,921,278
Payments to municipalities	700,521	689,021	704,651
Municipal debt payments	581,691	494,858	592,680
Directors' remuneration	372,253	319,261	318,113
Insurance and permits	164,881	161,433	129,669
Electoral area grants-in-aid	339,200	130,009	130,815
Interest on debentures	122,926	101,717	91,945
Directors' travel and expenses	148,620	88,498	87,071
Staff travel, upgrading and conferences	99,390	88,364	86,235
Memberships and dues	38,341	36,540	35,515
Elections, referenda and studies	31,023	16,597	5,120
Interest	11,000	9,691	11,328
Bad debts	-	4,136	15,316
Volunteer benefits	3,450	3,000	2,991
First Nations dialogue	10,000	-	-
Amortization	1,003,300	926,953	900,901
	<u>\$ 16,759,306</u>	<u>\$ 12,703,464</u>	<u>\$ 11,980,070</u>

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
SCHEDULE OF CONTINUITY OF RESERVE FUNDS

For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
BALANCE AT BEGINNING OF THE YEAR	\$ 7,025,489	\$ 6,991,462
Contribution to funds	1,633,575	1,541,879
Interest earned on funds	108,406	116,033
Withdrawals from funds	<u>(1,727,225)</u>	<u>(1,623,885)</u>
BALANCE AT END OF THE YEAR	7,040,245	7,025,489
Less: Federal Gas Tax recorded as deferred revenue (Note 13)	<u>3,852,652</u>	<u>4,136,684</u>
	<u>\$ 3,187,593</u>	<u>\$ 2,888,805</u>
REPRESENTED BY THE FOLLOWING RESERVE FUNDS		
911 Capital	\$ 448,637	\$ 392,500
911 Vehicle	1,748	867
Administrative Equipment	31,445	48,073
Administration/Planning Vehicle	71,760	60,265
Building	61,630	45,866
Building Inspection Vehicle	3,169	55,359
Bulkley Valley Pool	835,702	530,241
Burns Lake Arena	3,683	97,522
Burns Lake Rural Fire Protection	48	48
Election	45,965	37,859
Emergency Prep	42,085	36,527
Environmental Services vehicle	80,371	61,359
Federal Gas Tax	3,852,652	4,136,684
Fort Fraser Sewer	131,976	114,183
Fort Fraser Rural Fire Protection	82,493	77,809
Fort Fraser Water	459,228	393,031
Fort St. James Rural Fire Protection	70,182	59,243
Glacier Gulch Water Diversion	2,225	2,192
Houston Rural Fire Protection	13,949	12,505
Insurance	11,610	2,161
Lakes District Airport	7,380	117,692
Landfill Capital	473,217	461,752
Luck Bay Rural Fire Protection	9,199	6,093
Planning Plotter	36,557	36,017
Smithers Rural Fire Protection	118,074	106,428
Southside Rural Fire Protection	71,565	66,547
Telkwa Rural Fire Protection	32,093	25,678
Vanderhoof Rural Fire Protection	35,904	35,374
Weed Control vehicle	<u>5,698</u>	<u>5,614</u>
	7,040,245	7,025,489
Less: Federal Gas Tax reserve recorded as deferred revenue (Note 13)	<u>3,852,652</u>	<u>4,136,684</u>
	<u>\$ 3,187,593</u>	<u>\$ 2,888,805</u>

See notes to the consolidated financial statements.

Regional District of Bulkley-Nechako
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2016

	Land	Building	Engineered Structures					2016 Total	2015 Total
			Equipment / Vehicles	Water	Sewer	Landfills	Transfer Stations		
COST									
Opening Balance	\$ 261,291	\$ 6,541,980	\$ 5,723,330	\$ 1,109,808	\$ 718,502	\$ 4,030,466	\$ 4,656,503	\$ 23,041,880	\$ 20,455,735
Add: Additions	33,304	256,608	431,095	-	-	119,251	5,954	846,212	2,693,839
Less: Disposals	-	-	117,241	-	-	-	-	117,241	107,694
Less: Write-downs	-	-	-	-	-	-	-	-	-
Closing Balance	294,595	6,798,588	6,037,184	1,109,808	718,502	4,149,717	4,662,457	23,770,851	23,041,880
ACCUMULATED AMORTIZATION									
Opening Balance	-	2,217,034	2,261,506	676,740	348,624	1,379,395	1,458,199	8,341,498	7,523,292
Add: Amortization	-	144,939	501,348	28,047	15,186	129,162	108,261	926,953	900,901
Less: Acc. Amortization on Disposals	-	-	81,509	-	-	-	-	81,509	82,695
Closing Balance	-	2,361,973	2,681,345	704,787	363,820	1,508,557	1,566,460	9,186,942	8,341,498
Net Book Value for year ended									
December 31, 2016	\$ 294,595	\$ 4,436,615	\$ 3,355,839	\$ 405,021	\$ 354,682	\$ 2,641,160	\$ 3,095,997	\$ 14,583,909	\$ 14,700,382
December 31, 2015	\$ 261,291	\$ 4,324,946	\$ 3,461,824	\$ 433,068	\$ 369,878	\$ 2,651,071	\$ 3,198,304	\$ 14,700,382	\$ 14,700,382

See notes to the consolidated financial statements.