

REGIONAL DISTRICT OF BULKLEY-NECHAKO

FINANCIAL STATEMENTS

December 31, 2018

REGIONAL DISTRICT OF BULKLEY-NECHAKO

FINANCIAL STATEMENTS

December 31, 2018

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REGIONAL DISTRICT
 OF BULKLEY-NECHAKO

"A WORLD OF OPPORTUNITIES WITHIN OUR REGION"

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 1 to the financial statements. 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 is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed 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.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal financial statements on a quarterly basis and external audited financial statements yearly. The Board also discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, PricewaterhouseCoopers, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Regional District of Bulkley-Nechako and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Regional District of Bulkley-Nechako

John Illes
 Chief Financial Officer

Gerry Thiessen
 Chairperson

MUNICIPALITIES:

BURNERS FT. ST. JAMES
 VANDERHOOF FRASER LAKE
 HOUSTON TELKWA
 BURNS LAKE GRANBLE

ELECTORAL AREAS:

A-BURNERS RURAL F-VANDERHOOF RURAL
 B-BURNS LAKE RURAL E-FRANCOIS & COSTA LAKES
 C-FORT ST. JAMES RURAL G-HOUSTON RURAL
 D-FRASER LAKE RURAL



Independent auditor's report

To the Board of Directors of Regional District of Bulkley-Nechako

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Regional District of Bulkley-Nechako (the Entity) as at December 31, 2018 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Entity's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

PricewaterhouseCoopers LLP
556 North Nechako Road, #10, Prince George, British Columbia, Canada V2K 1A1
T: +1 250 564 2515, F: +1 250 562 8722

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



In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Prince George, British Columbia
May 2, 2019

REGIONAL DISTRICT OF BULKLEY-NECHAKO

STATEMENT OF FINANCIAL POSITION

December 31, 2018

	<u>2018</u>	<u>2017</u>
		<u>Restated</u>
		<u>(Note 18)</u>
FINANCIAL ASSETS		
Cash	\$ 1,834,151	\$ 689,522
Temporary investments (Note 3)	6,614,077	10,426,924
Accounts receivable	511,124	318,427
Grants receivable	2,008,402	188,445
Investments (Note 4)	89	89
Debt Reserve Fund - Municipal Finance Authority (Note 5)	183,005	178,321
Debentures recoverable from municipalities (Note 6)	<u>9,442,795</u>	<u>8,972,354</u>
	<u>20,593,643</u>	<u>20,774,082</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 7, 11 and 13)	4,487,177	2,898,079
Deferred revenue (Note 8)	4,075,354	4,681,773
Debt Reserve Fund - Municipal Finance Authority (Note 5)	161,145	147,765
Debentures issued for municipalities (Note 6)	9,442,795	8,972,354
Debentures issued for the Regional District (Note 10)	<u>1,293,593</u>	<u>1,835,147</u>
	<u>19,460,064</u>	<u>18,535,118</u>
NET FINANCIAL ASSETS	<u>1,133,579</u>	<u>2,238,964</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 3)	17,641,299	14,401,003
Prepaid expenses	<u>72,506</u>	<u>65,939</u>
	<u>17,713,805</u>	<u>14,466,942</u>
ACCUMULATED SURPLUS (Note 15)	<u>\$ 18,847,384</u>	<u>\$ 16,705,906</u>

CONTINGENCIES (Note 11)

Approved by the Board:

 _____ Chairperson

 _____ Financial Administrator

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

STATEMENT OF OPERATIONS

For the year ended December 31, 2018

	<u>2018</u>		<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 16)		Restated (Note 18)
REVENUE			
Property tax requisition			
Electoral area	\$ 5,882,744	\$ 5,879,723	\$ 5,657,172
Municipal	<u>3,707,589</u>	<u>3,707,588</u>	<u>3,477,305</u>
	9,590,333	9,587,311	9,134,477
Provincial grants - conditional	2,999,041	2,751,824	102,343
Emergency expenditure recoveries	300,000	1,396,651	66,708
Grants-in-lieu of taxes	972,052	1,026,862	983,685
Fees and permits	822,517	921,624	690,348
Municipal debt payments (Note 6)	891,287	743,366	383,759
Federal grants - conditional	1,192,650	723,795	1,027,608
Other grants - conditional	559,688	479,004	277,543
Provincial grants - unconditional	195,000	195,000	185,000
Municipal cost sharing	162,991	162,991	130,272
Interest	25,500	143,417	97,097
Sundry	102,635	135,246	135,909
Debt sinking fund actuarial earnings (Note 10)	-	59,500	51,537
Investment income	-	25,360	50,721
Administration recoveries	44,309	17,655	58,871
Donations	<u>10,000</u>	<u>8,829</u>	<u>22,513</u>
	<u>17,868,003</u>	<u>18,378,435</u>	<u>13,398,391</u>
EXPENSES (Schedule 1)			
Environmental services	4,933,597	5,314,781	3,143,113
Government - general, rural and local commission	3,437,934	2,622,512	2,884,348
Recreation and culture	2,310,990	2,231,049	1,872,419
Fire protection and emergency response	2,203,332	3,206,484	1,526,371
Building inspection, building numbering, planning and development services	1,113,790	988,264	909,872
Economic development	1,071,172	560,793	611,994
Municipal debt payments (Note 6)	891,287	743,366	383,759
Street lighting and transportation	442,329	370,043	314,401
Sewer and water	<u>254,792</u>	<u>199,665</u>	<u>113,771</u>
	<u>16,659,223</u>	<u>16,236,957</u>	<u>11,760,048</u>
ANNUAL SURPLUS	1,208,780	2,141,478	1,638,343
ACCUMULATED SURPLUS - BEGINNING OF YEAR	<u>16,705,906</u>	<u>16,705,906</u>	<u>15,067,563</u>
ACCUMULATED SURPLUS - END OF YEAR (Note 15)	<u>\$ 17,914,686</u>	<u>\$ 18,847,384</u>	<u>\$ 16,705,906</u>

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2018

	<u>2018</u>		<u>2017</u>
	<u>Budget</u> <u>(Note 16)</u>	<u>Actual</u>	<u>Actual</u> <u>Restated</u> <u>(Note 18)</u>
ANNUAL SURPLUS	\$ 1,208,780	\$ 2,141,478	\$ 1,638,343
Acquisition of tangible capital assets	-	(4,401,882)	(752,887)
Loss on sale of tangible capital assets	-	(27,751)	-
Proceeds on sale of tangible capital assets	-	96,000	2,989
Amortization of tangible capital assets	<u>1,076,985</u>	<u>1,093,337</u>	<u>932,804</u>
	2,285,765	(1,098,818)	1,821,249
Net use of (addition to) prepaid expenses	<u>-</u>	<u>(6,567)</u>	<u>(12,089)</u>
CHANGE IN NET FINANCIAL ASSETS	2,285,765	(1,105,385)	1,809,160
NET FINANCIAL ASSETS AT BEGINNING OF THE YEAR	<u>2,238,964</u>	<u>2,238,964</u>	<u>429,804</u>
NET FINANCIAL ASSETS AT END OF THE YEAR	<u>\$ 4,524,729</u>	<u>\$ 1,133,579</u>	<u>\$ 2,238,964</u>

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	<u>2018</u>	<u>2017</u>
		Restated (Note 18)
OPERATING ACTIVITIES		
Annual surplus	\$ 2,141,478	\$ 1,638,343
Add: Non-cash items		
Administration recoveries	(17,655)	(51,537)
Amortization of tangible capital assets	1,093,337	932,804
Loss (gain) on sale of tangible capital assets	<u>(27,751)</u>	<u>-</u>
	3,189,409	2,519,610
Changes in non-cash working capital:		
Accounts receivable	(192,697)	(33,506)
Grants receivable	(1,819,957)	(95,632)
Accounts payable and accrued liabilities	1,589,098	(467,514)
Deferred revenue	(606,419)	809,180
Prepaid expenses	<u>(6,567)</u>	<u>(12,089)</u>
	<u>2,152,867</u>	<u>2,720,049</u>
INVESTING ACTIVITIES		
Purchase of temporary investments	(7,537,703)	(14,826,482)
Proceeds from sale of investments	<u>11,350,550</u>	<u>13,543,583</u>
	<u>3,812,847</u>	<u>(1,282,899)</u>
FINANCING ACTIVITIES		
Repayments from (contributions to) Debt Reserve Fund - Municipal Finance Authority	8,696	(731)
Debt proceeds	-	14,907
Debt repayments	<u>(523,899)</u>	<u>(481,703)</u>
	<u>(515,203)</u>	<u>(467,527)</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(4,401,882)	(752,887)
Proceeds on disposal of tangible capital assets	<u>96,000</u>	<u>2,989</u>
	<u>(4,305,882)</u>	<u>(749,898)</u>
INCREASE DURING THE YEAR	1,144,629	219,725
CASH AT BEGINNING OF THE YEAR	<u>689,522</u>	<u>469,797</u>
CASH AT END OF THE YEAR	<u>\$ 1,834,151</u>	<u>\$ 689,522</u>

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

Funds and reserves

Certain amounts, as approved by the Board of Directors, through a bylaw, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development improvement or betterment of the asset. Costs include overhead directly attributable to construction and development but exclude interest costs directly attributable to the acquisition or construction of the asset.

Contributed tangible capital assets are recorded into revenues at their fair market value on the date of donation, except in circumstances where there are stipulations on their use or where fair value cannot be reasonably determined, in which case they are recognized at a nominal value.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized 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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Regional District's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Assets under construction are not amortized until the asset is available for productive use.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue recognition

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

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 are recognized as revenues 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 when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose. Restricted contributions that must be maintained in perpetuity are recorded as revenue when received or receivable, and are presented as non-financial assets in the statement of financial position.

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

Unfunded landfill liability

The landfill for closure of operational sites and post-closure care has been recognized based on estimated future expenses, estimated for inflation and the usage of the sites capacity during the year. The change in this liability during the year is recorded as a charge to operations. These estimates are reviewed and adjusted annually.

Measurement uncertainty

The preparation of the 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.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES, continued

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 Regional District initially measures its financial assets and financial liabilities at fair value. The Regional 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, investments 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 Regional 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.

Investments

Investments are reported at cost or amortized cost less any write-downs associated with a loss in value that is other than a temporary decline.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

2. CHANGES IN ACCOUNTING POLICIES

The Regional District adopted the following new accounting policies:

PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions

Effective April 1, 2017, The Regional District adopted the recommendations relating to PS 2200 Related Party Disclosures and PS 3240 Inter-Entity Transactions, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, a material financial effect on the financial statements. They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

There was no material impact on the consolidated financial statements of adopting the new Sections.

PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights

Effective April 1, 2017, The Regional District adopted the recommendations relating to PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights, as set out in the CPA Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

PS 3210 Assets provides additional guidance to clarify the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets establishes disclosure standards on contingent assets.

PS 3380 Contractual Rights establishes disclosure standards on contingent assets.

PS 3380 Contractual Rights establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Section are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

There was no material impact on the financial statements of adopting the new Sections.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. TEMPORARY INVESTMENTS

Temporary investments consist of fixed income guaranteed investment certificates, have a maturity of one year or less, and are carried at market value which approximates cost. The interest rate for temporary investments was 2.70% (2017 – 1.4% to 2.15%).

4. INVESTMENTS

The Regional District has a 9% interest in the Chinook Comfor Limited Partnership and Chinook Comfor Ltd.

5. 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 financial statements (see note 11).

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.

6. 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 FINANCIAL STATEMENTS

For the year ended December 31, 2018

6. DEBT RECOVERABLE FROM MUNICIPALITIES, continued

Service borrowing was incurred for:	Originally Borrowed		Year of Maturity	Current Rate of Interest	Net Debt Outstanding	
	Year	Amount			2018	2017
Vanderhoof Issue 145	2018	1,000,000	2038	3.15%	1,000,000	-
Smithers Issue 142	2017	3,000,000	2037	3.15%	2,888,353	3,000,000
Vanderhoof Issue 142	2017	2,000,000	2037	3.15%	1,925,569	2,000,000
Smithers Issue 127	2013	650,000	2034	3.30%	557,308	581,861
Fort St. James Issue 124	2013	304,879	2033	3.15%	249,425	261,402
Smither Issue 124	2012	147,639	2033	3.15%	120,785	126,585
Fort St. James Issue 124	2013	121,952	2028	3.15%	88,964	96,089
Smithers Issue 116	2011	800,000	2026	4.20%	484,440	534,994
Smither Issue 110	2010	17,172	2020	4.50%	3,993	5,875
Smither Issue 105	2009	23,093	2019	4.90%	2,738	5,370
Houston Issue 99	2006	2,407,125	2032	1.75%	1,538,636	1,627,617
Fraser Lake Issue 85	2004	350,000	2019	2.00%	32,114	62,699
Smithers Issue 81	2004	500,000	2024	2.40%	203,643	232,157
Smithers Issue 81	2004	38,824	2019	2.40%	3,562	6,955
Smithers Issue 79	2003	500,000	2023	2.10%	173,704	203,643
Smithers Issue 77	2002	500,000	2022	1.75%	142,268	173,704
Burns Lake Issue 71	1999	363,850	2019	2.10%	27,293	53,403
		<u>\$ 11,724,534</u>			<u>\$ 9,442,795</u>	<u>\$ 8,972,354</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade payables	\$ 964,686	\$ 599,661
Vacation accrual	207,232	201,763
Sick leave accrual (Note 11)	301,217	268,857
Retirement accrual (Note 11)	129,263	111,144
Accrued debenture interest	11,397	17,350
Landfill closure cost accrual (Note 13)	2,873,382	1,699,304
	<u>\$ 4,487,177</u>	<u>\$ 2,898,079</u>

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

8. DEFERRED REVENUE

	<u>2018</u>	<u>2017</u>
Government transfers - Federal Gas Tax Reserve	\$ 4,058,894	\$ 3,777,613
Government transfers - Provincial	1,989	886,110
Government transfers - Municipal	8,821	12,400
Other	<u>5,650</u>	<u>5,650</u>
	<u>\$ 4,075,354</u>	<u>\$ 4,681,773</u>

9. 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, 2018 3.95%) and is secured by the current borrowing resolution. The facility remained unused at year end.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

10. DEBENTURES ISSUED FOR THE REGIONAL DISTRICT, continued

2019	\$ 397,920
2020	333,082
2021	115,710
2022	15,137
2023	15,137
Thereafter	<u>203,578</u>
	1,080,564
Actuarial additions	<u>213,029</u>
	<u><u>\$ 1,293,593</u></u>

11. 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:

	<u>2018</u>	<u>2017</u>
Demand Notes Outstanding:		
Borrowing on behalf of member municipalities	\$ 340,875	\$ 265,090
Borrowing for Regional District purposes	<u>59,174</u>	<u>147,765</u>
	<u><u>\$ 400,049</u></u>	<u><u>\$ 412,855</u></u>

Employee Sick Leave

The Regional District is contingently liable to pay its employees sick leave. The total maximum value of the accumulated sick time is \$475,167 at December 31, 2018 (2017 - \$444,891). As at year end an amount of \$301,217 (2016 - \$268,857) has been recognized as a liability, representing the estimated future usage of accumulated sick days.

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 \$185,064 at December 31, 2018 (2017 - \$158,371). As at year end an amount of \$129,263 (2017 - \$111,144) has been accrued as an estimate of the liability.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

12. MUNICIPAL PENSION PLAN

The Regional District 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 defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2017, the Plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess 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 actuarial valuation as at December 31, 2015 indicated a \$2,224 million funding deficit for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Regional District of Bulkley-Nechako paid \$272,413 (2017 - \$255,345) for employer contributions to the Plan in fiscal 2018.

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.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

13. UNDERFUNDED LIABILITY FOR LANDFILL CLOSURE COSTS

British Columbia environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure and post closure activities for 30 years after closure using a discount rate of 4.0% which is net of projected annual inflation.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. Management had a closure cost evaluation completed in the year which resulted in updated information for management's landfill closure cost estimate.

The Knockholt landfill has been divided into six phases with only the first three phases being utilized. The total capacity of the Knockholt landfill is estimated at 1,998,500 cubic metres, with a total usage of 243,500 cubic metres of the first three phases. Phase one and two are at 90% and 93% capacity respectively and are expected to reach capacity by 2020. The total capacity of phase three of the Knockholt landfill is estimated at 420,000 cubic meters with a total usage of 15,000 cubic metres. Phase 3B and 3C remain undeveloped. Phase three is expected to reach capacity in 2038. The existing landfill site was originally expected to reach capacity approximately in the year 2076 and has been estimated to last past 2096 because of refined estimates for utilization based on current landfill rates.

The Clearview landfill has been divided into four phases with only the first phase being utilized. The total capacity of the Clearview landfill is estimated at 1,157,600 cubic meters with a total usage of 85,820 cubic metres of the first phase. Phase one has a developed capacity of 228,500 and is expected to reach capacity in 2030. The existing landfill site is expected to reach capacity approximately in the year 2106.

Considerable uncertainty exists with these estimations. The long time span for full site utilization combined with predicting costs that will be paid in far future years relies on a large number of assumptions including the certainty of current environmental legislation, a predictable rate of inflation for costs associated with landfill work and engineering, and an even flow of waste landfilled each year. Landfilling estimates do not include allowances for population change, change in landfilling from industrial sites (such as industrial camps), the possible diversion from recycling programs currently increasing and those being developed, and the diversion potential from composting programs.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

13. UNDERFUNDED LIABILITY FOR LANDFILL CLOSURE COSTS, continued

	<u>2018</u>	<u>2017</u>
Knockholt Landfill Phase One, Two, and Three		
Estimated closure costs	\$ 611,791	\$ 1,114,305
Estimated post-closure costs	<u>1,168,957</u>	<u>134,660</u>
	1,780,748	1,248,965
Estimated capacity used	<u>12%</u>	<u>47%</u>
Accrued liability for Knockholt landfill	<u>209,938</u>	<u>584,827</u>
Clearview Landfill Phase One		
Estimated closure costs	627,079	1,574,310
Estimated post-closure costs	<u>1,168,957</u>	<u>134,660</u>
	1,796,036	1,708,970
Estimated capacity used	<u>17%</u>	<u>33%</u>
Accrued liability for Clearview landfill	<u>313,420</u>	<u>571,490</u>
Inactive sites closure estimates	<u>2,350,024</u>	<u>542,987</u>
Total closure and post-closure liability	<u>\$ 2,873,382</u>	<u>\$ 1,699,304</u>

The liability expense of \$2,873,382 is unfunded as at December 31, 2018. The Regional District has established Landfill Closure and Post-Closure Reserve Funds that is restricted for purposes of funding landfill closure and post-closure costs. As at December 31, 2018, the Landfill Closure and Post-Closure Reserve Funds have a balance of \$209,748 (2017 - \$95,250).

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

14. 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>2018</u>	<u>2017</u>
Opening balance	\$ 3,777,613	\$ 3,852,652
Add: Amounts received in the year	922,803	892,392
Interest earned	<u>82,273</u>	<u>60,177</u>
	<u>1,005,076</u>	<u>952,569</u>
Less: Amounts spent in the year	<u>(723,795)</u>	<u>(1,027,608)</u>
Closing balance	<u>\$ 4,058,894</u>	<u>\$ 3,777,613</u>

15. ALLOCATION OF ACCUMULATED SURPLUS

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

	<u>2018</u>	<u>2017</u>
		Restated (Note 18)
Operating	\$ 15,250,464	\$ 13,067,311
Reserves	<u>3,596,920</u>	<u>3,638,595</u>
	<u>\$ 18,847,384</u>	<u>\$ 16,705,906</u>

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

16. BUDGET

The budget figures included in these financial statements represent the Financial Plan adopted by the Board of Directors on March 8, 2018. Subsequent amendments to the budget bylaw are not reflected in the budget figures.

The Financial Plan adopted by the Board of Directors was prepared on a modified accrual basis while the 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 following is a reconciliation between the budgeted amounts approved in the Financial Plan and presented in the financial statements:

	<u>2018</u>
Budgeted deficit per statement of financial activities	<u>\$ 1,208,780</u>
Less: Capital expenditures	(4,674,266)
Debt principal repayments	(485,334)
Contributions to reserves	(1,721,828)
Prior year net deficits	<u>(3,417)</u>
	<u>(5,676,065)</u>
Add: Prior year net surplus	2,713,380
Withdrawals from capital reserves	1,785,700
Transfer from equity in tangible capital assets	1,076,985
Debenture issue	<u>100,000</u>
	<u>5,676,065</u>
	<u>\$ -</u>

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

17. 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 3). The amount of risk is minimal due to the short terms of the investments.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

18. RESTATEMENT OF PRIOR YEAR FIGURES

During the year, the Regional District determined that their investment in the Chinook Comfor Limited Partnership (the Partnership) should be accounted for at cost rather than using the equity method as they do not have significant control in the Partnership. The prior year's figures have been restated to reflect this change. The effects of the adjustments are summarized below:

Accumulated Surplus

	<u>2017</u>
Closing Accumulated Surplus, as previously stated	\$ 16,851,732
Adjustment to remove revenue from equity interest in Partnership	<u>(145,826)</u>
	<u>\$ 16,705,906</u>

Investment in Partnership

	<u>2017</u>
Closing Investment in Partnership	\$ 145,915
Adjustment to remove equity interest in the investment in Partnership	<u>(145,826)</u>
	<u>\$ 89</u>

19. COMPARATIVE FIGURES

Certain prior year figures, presented for comparative purposes, have been reclassified to conform to the current year's financial statement presentation.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

SCHEDULE OF EXPENSES BY OBJECT

For the year ended December 31, 2018

	<u>2018</u>		<u>2017</u>
	<u>Budget</u> (Note 16)	<u>Actual</u>	<u>Actual</u>
Purchased services and supplies	\$ 5,665,611	\$ 5,711,425	\$ 2,860,657
Staff remuneration and benefits	4,305,115	4,365,165	3,791,870
Payments to societies	2,487,314	2,417,801	2,031,777
Payments to municipalities	798,208	848,208	762,507
Municipal debt payments	891,287	743,366	219,910
Directors' remuneration	391,685	325,708	330,069
Insurance and permits	194,844	183,540	167,487
Electoral area grants-in-aid	325,172	117,811	149,706
Directors' travel and expenses	155,608	116,859	89,424
Staff travel, upgrading and conferences	109,250	100,011	81,988
Interest on debentures	89,551	91,040	260,949
Memberships and dues	44,392	43,486	36,502
Interest	11,000	34,478	20,779
Elections, referenda and studies	84,651	32,029	17,576
Bad debts	-	9,426	2,879
Volunteer benefits	3,550	3,267	3,164
First nations dialogue	25,000	-	-
Amortization	1,076,985	1,093,337	932,804
	<u>\$ 16,659,223</u>	<u>\$ 16,236,957</u>	<u>\$ 11,760,048</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, 2018

	<u>2018</u>	<u>2017</u>
BALANCE AT BEGINNING OF THE YEAR	\$ 7,416,208	\$ 7,040,245
Contribution to funds	1,721,827	1,745,715
Interest earned on funds	169,039	113,313
Withdrawals from funds	<u>(1,651,260)</u>	<u>(1,483,065)</u>
BALANCE AT END OF THE YEAR	7,655,814	7,416,208
Less: Federal Gas Tax recorded as deferred revenue (Note 14)	<u>4,058,894</u>	<u>3,777,613</u>
	<u>\$ 3,596,920</u>	<u>\$ 3,638,595</u>
REPRESENTED BY THE FOLLOWING RESERVE FUNDS		
911 Capital	\$ 567,177	\$ 505,751
911 Vehicle	4,291	2,642
Administrative Equipment	43,943	41,978
Administration/Planning Vehicle	54,523	34,167
Building	94,482	77,651
Building Inspection Vehicle	21,624	12,265
Bulkley Valley Pool	1,404,395	1,111,858
Burns Lake Arena	14,348	68,456
Burns Lake Rural Fire Protection	185	5,076
Burns Lake TV Rebroadcasting	25,216	-
Election	43,059	54,207
Emergency Prep	51,250	46,707
Environmental Services vehicle	23,406	62,868
Federal Gas Tax	4,058,894	3,777,613
Fort Fraser Sewer	194,741	150,075
Fort Fraser Rural Fire Protection	92,688	87,271
Fort Fraser Water	12,905	526,557
Fort St. James Rural Fire Protection	43,164	81,306
Glacier Gulch Water Diversion	2,308	2,259
Houston Rural Fire Protection	15,751	15,418
Insurance	33,181	22,217
Lakes District Airport	48,157	12,519
Landfill Capital	380,687	351,331
Luck Bay Rural Fire Protection	19,729	14,367
Planning Plotter	21,994	18,563
Smithers Rural Fire Protection	142,835	129,929
Southside Rural Fire Protection	128,983	122,305
Topley Fire Department	8,084	-
Telkwa Rural Fire Protection	45,510	38,615
Vanderhoof Pool	15,158	-
Vanderhoof Rural Fire Protection	37,237	36,452
Weed Control vehicle	<u>5,909</u>	<u>5,785</u>
	7,655,814	7,416,208
Less: Federal Gas Tax reserve recorded as deferred revenue (Note 14)	<u>4,058,894</u>	<u>3,777,613</u>
	<u>\$ 3,596,920</u>	<u>\$ 3,638,595</u>

See notes to the consolidated financial statements.

Regional District of Bulkley-Nechako
STATEMENT OF TANGIBLE CAPITAL ASSETS
For the year ended December 31, 2018

	Engineered Structures							2017 Total
	Land	Building	Equipment / Vehicles	Water	Sewer	Landfills	Transfer Stations	
COST								
Opening Balance	\$ 294,595	\$ 6,883,625	\$ 6,253,325	\$ 1,212,150	\$ 718,502	\$ 4,464,882	\$ 4,668,086	\$ 23,770,861
Add: Additions	-	25,888	760,914	3,315,451	-	150,465	149,164	752,887
Less: Disposals	-	-	426,168	-	-	-	-	426,168
Less: Write-downs	-	-	-	-	-	-	-	-
Closing Balance	294,595	6,909,513	6,588,071	4,527,601	718,502	4,615,347	4,817,250	24,495,165
ACCUMULATED AMORTIZATION								
Opening Balance	-	2,528,224	3,122,272	734,880	379,015	1,654,483	1,675,288	9,186,942
Add: Amortization	-	163,725	544,884	96,400	15,196	161,325	111,807	932,804
Less: Acc. Amortization on Disposals	-	-	357,919	-	-	-	-	357,919
Closing Balance	-	2,691,949	3,309,237	831,280	394,211	1,815,808	1,787,095	10,094,162
Net Book Value for year ended								
December 31, 2018	\$ 294,595	\$ 4,217,564	\$ 3,278,834	\$ 3,696,321	\$ 324,291	\$ 2,799,539	\$ 3,030,155	\$ 17,641,289
Net Book Value for year ended								
December 31, 2017	\$ 294,595	\$ 4,355,401	\$ 3,131,053	\$ 477,270	\$ 339,487	\$ 2,810,399	\$ 2,992,798	\$ 14,401,003

See notes to the consolidated financial statements.