

REGIONAL DISTRICT OF BULKLEY-NECHAKO
ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010



2010 Annual Report

April 11, 2011

To the Board of Directors:

I am pleased to submit the Consolidated Financial Statements of the Regional District of Bulkley-Nechako for the year ended December 31, 2010 pursuant to the requirements of the Local Government Act, and audited by RHN Schmitz de Grace, Chartered Accountants.

Financial Management and Control

The Finance Department is responsible for the preparation, integrity, objectivity and fair presentation of the Consolidated Financial Statements including the notes and schedules attached thereto. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles that have been applied on a basis consistent with the preceding year and include, where appropriate, estimates based on the best judgment of management.

The Regional District maintains a system of internal financial and accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable for the preparation of financial statements and that assets are safeguarded.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal controls. It reviews the internal financial statements quarterly and the audited financial statements annually.

The external auditors conduct an independent examination in accordance with generally accepted auditing standards and express their opinion on the financial statements. Their examination includes a review and evaluation of internal controls and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Board of Directors, as needed.



Budgetary Process

Near the end of each year, the Finance Department begins the process of preparing the Annual Five Year Financial Plan. Based on analysis of previous years' financial results, discussions with management and input from the directors, the financial plan is prepared for review and adoption of the financial plan bylaw by the Board of Directors by March 31st of the ensuing year. The budget is both a planning tool and a valuable internal control tool used in analyzing the monthly, quarterly and annual financial results.

9-1-1 Emergency Telephone Response Service

In 2010, the Regional District of Bulkley-Nechako began the process of implementing a regional-wide 9-1-1 Emergency Telephone Response Service. This involves communication systems design, purchase, installation and testing of new communications equipment including a complete back-up system, updating of the Master Street Address Guide to enable the address and phone number of emergency callers to be automatically identified, training of fire department personnel in the use of new equipment and public education to assist the public in using the 9-1-1 service.

When implemented, all 9-1-1 calls in the area will be answered by the RCMP Call Centre, which will route calls, depending on the nature of the emergency, to the local RCMP office, the BC Ambulance Centre or the Fire Operations Call Centre for dispatch of local fire departments.

Final implementation is expected in the fall of 2011.

Environmental Services

Work continued on the implementation of the Solid Waste Management Plan, and a number of initiatives were undertaken to reduce costs and improve services to the residents of the Regional District of Bulkley-Nechako.

Fort St. James Transfer Station / Landfill

Multiple projects were completed at this site including the upgrading of the wood waste collection area and establishment of additional recycling areas. The major project completed in 2010 was the final closure of the old landfill and the development of a 25-year post closure environmental monitoring program.

Fort Fraser Landfill

An updated closure plan for the Fort Fraser Landfill was developed and submitted to the Ministry of Environment in preparation for completion of final closure works in 2011.



Knockholt and Clearview Landfills

A landfill gas assessment report was completed and submitted to the Ministry of Environment for the Knockholt Landfill to ensure compliance with new regulations. Also, a new access road and turning radius onto Phase 1/2 was constructed. At the Clearview Landfill, a new access road and turning pad on Phase 1 was constructed, and the wood waste burning pad was upgraded. In addition, to remain in compliance with the operational certificate issued by the Ministry of Environment, an annual report for the Clearview Landfill was developed and submitted to the Ministry of Environment.

The landfill operation contracts for the Knockholt and Clearview Landfills were reviewed and renewed, for 5 year terms.

Waste Hauling Operations

In 2010, the Regional District completed a financial review of the hauling of waste from the Fort St. James, Vanderhoof and Area "D" Transfer Stations to the Clearview Landfill (Eastern Waste Haul). As a result of the analysis, which indicated that it was more cost effective to operate the waste haul directly, equipment was purchased and RDBN staff hired to initiate Eastern Waste Haul activities in December.

Waste Reduction

A number of waste reduction initiatives were continued and/or implemented in 2010. The region wide funding program which was developed and initiated in 2009 was carried over to 2010. Financial support was continued for the Smithers and Area Recycling Society and the Nechako Healthy Community Alliance (Vanderhoof). Waste reduction programs for primarily paper and cardboard materials were initiated in the Fraser Lake and Fort St. James areas while work continued in the Burns Lake, Houston, Telkwa and Granisle areas in investigating possible programs. Funding has been carried over to 2011 and it is anticipated that additional programs will continue to be initiated.

An Investigative Use Permit from the Integrated Land Management Bureau was obtained to allow for the completion of a preliminary geotechnical study associated with the possible construction of a recycling facility adjacent to the Smithers/Telkwa Transfer Station.

With respect to wood waste, a 1-year pallet re-use contract was issued to a local Southside company and a letter of support, in principal, for the use of select fibre based waste products was provided to Biofire Solid Fuel Manufacturing Ltd. in Houston.

Environmental Planning

The Waste-to-Energy, Job Creation to Sustainable Communities Feasibility Study was completed in early 2010. The primary objective of the Study was to determine if an economically and environmentally sustainable waste-to-energy technology, or group of technologies, existed that would utilize municipal solid waste, agricultural waste and



other suitable materials generated in the region to create energy, support local industry, provide job creation and support economic diversification. The results of the Study indicated that, at this time, no economically viable waste-to-energy technologies are available to handle the relatively small amounts of municipal solid waste generated in the RDBN. During completion of the Study, a waste audit was conducted, which quantified the various components of the RDBN waste stream. This information has been vital in assisting in the development of local recycling initiatives.

Planning Services

Long Range Planning

In 2010 the Planning Department completed the review of the "Vanderhoof Rural Official Community Plan Bylaw No. 1517, 2009" and the bylaw was adopted in September of 2010.

The "Fort St. James Rural Official Community Plan Bylaw No. 1578, 2010 was given 1st and 2nd reading in October following many working group meeting and public open houses. The Public Hearing was held in January 2011, and the formal approval process is ongoing.

The Planning Department, in association with the Strategic Development Department, worked with a consultant to finalize the development of region-wide industrial land use inventory study for all Electoral Areas.

The Official Community Plans for Electoral Area A, B and E, and D were amended to incorporate the Local Government Act requirements for green house gas emission reduction targets and actions to achieve those targets.

Current Planning

In addition to responding to public inquiries, land use referrals, bylaw enforcement and processing land use applications, the following initiatives were undertaken:

- Developed an "Unsightly Premises Bylaw" which was adopted by the Regional District Board.
- Developed a "Bylaw Enforcement Policy" that was approved by the Regional District Board.
- Developed updates and improvements to the "Regional District of Bulkley-Nechako Development Procedures Bylaw No. 1422, 2007" which were approved by the Regional District Board.
- Continued work on the review of the zoning bylaw
- Created an information brochure regarding the preparation of geotechnical reports for development.



Geographic Information Systems (GIS)

In addition to responding to civic address inquiries & various mapping requests, the following initiatives were undertaken:

- Purchased and tested software tools in support of the web based mapping project which will allow residents to access RDBN mapping and digital data on line.
- Assist with the implementation of the new 9-1-1 Emergency Telephone Response Service, including the following:
 - Created Digital Response Boundaries for rural and municipal fire response areas, road rescue areas, and medical first responder areas.
 - Created a complete First Nations reserve boundary digital database.
 - Created rural and municipal road address ranges to ensure that all road address ranges have their correct left and right minimum and maximum values for each road segment in the Regional District.
 - Corrected rural civic addresses that would create errors in the Computer Aided Dispatch System.
 - Created a municipal civic address database for Fort St James, Vanderhoof, Fraser Lake, Burns Lake, Houston, Granisle, Telkwa and Smithers.
 - Created a First Nations reserve address database for all occupied reserves in the RDBN.

Building Inspection

The Regional District provides building inspection services to rural property owners in the majority of the developed area of the Regional District (excluding most of Electoral Area "E"). In 2010, Building Inspection services were provided under contract to the District of Houston, the Village of Granisle, the Village of Burns Lake, and the Village of Fraser Lake.

During the year, internal processing and organizational systems were improved to provide a more efficient and effective service to the public.

Special Projects

The following special projects were undertaken:

- Terminated the Ebenezer Flats Erosion Protection initiative after presenting the study results to the residents of the area.
- Report on the Province's Water Act Modernization project.
- Report on the Province's No Net Deforestation regulations.
- Report on the Province's proposed amendments to the Open Burning Regulations.



Community Services

Electoral Area “G” Recreation and Culture

The Regional District held three referenda to determine if rural taxpayers in Area “G” wanted to establish contributory services to provide taxation support for recreation and culture services in the area:

- Residents in the Topley area were asked if they wanted to provide financial support to the Topley Community Club, the Houston Public Library and other recreation and culture services provided by the District of Houston.
- Residents in the Topley Landing/Mill Bay Road area were asked if they wanted to provide financial support to the Granisle Public Library and other recreation and culture services provided by the Village of Granisle.
- Residents in the remainder of Electoral Area “G” were asked if they wanted to provide financial support to the Houston Public Library and other recreation and culture services provided by the District of Houston.

All three referenda failed to get the number of votes necessary for implementation.

Vanderhoof Rural Fire Protection

In 2009, property owners near the existing boundaries of the Vanderhoof Rural Fire Protection Service Area were asked in a petition process if they wanted to be included within the boundaries of the service. Not enough petitions were received in favour of joining the service. As the number of property owners that want to be included in the service area were significant, the Regional District conducted a petition process for a smaller boundary expansion area in 2010. This time, enough petitions in favour of the boundary expansion were received and the expansion was implemented.

Electoral Area “A” Economic Development

The Regional District of Bulkley-Nechako has established an Economic Development Service for property owners in Electoral Area “A” to contribute funds to the Bulkley Valley Economic Development Association, a new organization to promote sustainable economic development in the Bulkley Valley and the traditional territory of the Wet’suwet’en. The funding partners are the Regional District of Bulkley-Nechako Electoral Area “A”, the Town of Smithers, the Wet’suwet’en First Nation and the Northern Development Initiative.

Electoral Area “A” property owners will contribute through taxation at a maximum annual rate of \$0.11 per \$1,000 (\$11 for a \$100,000 property) on the assessed value of their properties. In addition, Electoral Area “A” taxpayers have contributed \$23,000 in start up funds through the RDBN Electoral Area “A” Grant in Aid Fund.



Cluculz Lake Rural Fire Protection

A referendum was held to determine if voters in the Cluculz Lake area wanted to establish a new, more comprehensive fire protection service including fire prevention, fire suppression, first response to medical emergencies, road rescue (excluding extrication) and ice water rescue. A tax limit of \$0.85 per \$1,000 of assessed property values would be needed to purchase newer firefighting equipment and fire hall additions as well as additional training and gear necessary to provide the Cluculz Lake Volunteer Fire Department with the tools necessary to increase their service levels.

A majority of the voters voted against the proposal.

Regional Strategic Development

In 2010 the focus of the Regional Strategic Development was on three main initiatives: Grant funding applications, economic development projects, and regional marketing. Some of the highlights of these three initiatives are:

- Secured over \$1.9 million in grant funding to support non-profit community groups across the Region, as well as in house RDBN projects.
- Hosted quarterly Regional Communication Meetings to ensure communication with Economic Development Officers in the Region;
- Created advertisements for BC Magazine, MilePost, and PG Visitors Guide;
- Attended two industry tradeshow – Minerals North and Minerals Roundup;
- Attended four industry tradeshow in partnership with Vanderhoof, Fort St James, Fraser Lake, Burns Lake and Houston;
- Completed projects that began in 2009:
 - Mining Skills Development – identified mining training gaps and made recommendations for training programs to be offered regionally; and
 - Tourism Destination Profile and Marketing Plan – created a Tourism plan for the RDBN.
- Completed the Power Line Capacity Project which included a report identifying areas of power capacity limitations across the region and the impact the limitations create for attracting and expanding business in the Region.
- Updated and enhanced the Asset Mapping Database by creating an online business directory form for businesses to submit their information electronically to the Asset Mapping Database. As well the RDBN and Mining websites included reorganized and expanded business directories.
- Completed an Agriculture Project to assist farmers to reach local markets, including training for Farmers' Markets (Market Manager and MarketSafe).
- Organized and Hosted the 2010 Business Forum successfully held, providing an opportunity for stakeholders to gather information about major projects and related opportunities in and around the Region. The Forum was held over two days. The first days attendance included 86 Attendees and 15 Presenters, and the second day included 85 Attendees and 15 Presenters.



Emergency Management Program

Emergency Program

An Emergency Response Policy was developed, outlining the policy and standard operating procedures of the Regional District of Bulkley-Nechako Emergency Program.

The Regional District of Bulkley-Nechako was successful in securing funding to assist with upgrading the Amateur Radio tower located at Boar Mountain, and supplying Amateur Radio equipment for the RDBN Emergency Operations Centre. Installation was provided by the Prince George Amateur Radio Club and a local amateur radio operator in Burns Lake.

The RDBN Emergency Operations Center was activated for forty-five days between June and August of this year to address wildfires that impacted residents in Area "D" Fraser Lake Rural, Area "E" François/Ootsa Lake Rural, Area "F" Vanderhoof Rural, and Area "G" Houston Rural. The response to these fires, especially the fires in August, required extensive staff time, and the Regional District of Bulkley-Nechako is grateful for the tremendous efforts of all those involved, including volunteers from the region and neighbouring regions, without which the Emergency Operations Center could not have operated at such a high level.

9-1-1 Implementation

The Emergency Program Staff provides project management support by liaising with rural, municipal and First Nation Fire Departments within the region, as well as the Project Manager and radio consultants on this project.

Rural Fire Departments

Meetings were held with rural Fire Departments to draft "Standard Operating Guidelines" for completion and implementation in 2011.

Safety Program

The RDBN Safety Manual was reviewed and amended for completion in 2011.

Debt Management

The Regional District borrows on its own behalf and on behalf of the municipalities within its boundaries. Debentures issued to the Municipal Finance Authority of B.C. are supplemented from time to time with short term borrowing.

While debt issued on behalf of the municipalities remains the ultimate responsibility of the Regional District, the municipalities are, in turn, responsible for repayment to the Regional District for their share of this liability. At December 31, 2010, there were municipal debentures outstanding in the amount of \$5,624,647.



For its own account, the Regional District entered into new debentures for \$739,517 to finance Solid Waste Management capital expenditures and to repay \$180,000 of interim financing from 2009. Debenture repayments in 2010 of \$152,486 and actuarial earnings of \$43,492 have reduced the outstanding debt for all Regional District services to \$1,952,394 at December 31, 2010.

Debt servicing costs (principal plus interest) for the Regional District as a whole represented 3.9% of tax revenues in 2010.

Reserve Funds

Each year, the Regional District makes contributions to reserve funds for future expenditures, primarily of a capital nature. These funds are invested on behalf of the service areas for which the contributions are made and interest accumulates accordingly. During 2010, contributions of \$1,066,547 were made, \$889,131 was withdrawn for approved expenditures and interest of \$26,799 was earned, bringing the balance at December 31, 2010 to \$4,401,235.

Cash and Temporary Investments

As tax revenues are received once a year and expenditures are made throughout the year, surplus cash will exist from time to time which is invested primarily in short term money market instruments until needed. In addition to the reserve funds described above, the Regional District had cash and temporary investments of \$2,802,720 at December 31, 2009, representing an increase of \$357,124 from the previous year.

Conclusion

The Regional District continues to make good progress in implementing its long term plans for services while being fiscally responsible and without placing undue reliance on debt financing.

A handwritten signature in black ink, appearing to read 'Hans Berndorff'.

Hans Berndorff, C.A.

RHN SCHMITZ de GRACE

Chartered Accountants

Partners

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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, 2010, 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 generally accepted accounting principles, 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 auditor's 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.

RHN SCHMITZ de GRACE

Chartered Accountants

Partners

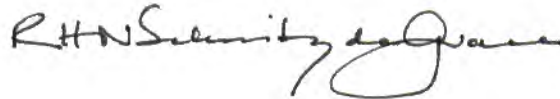
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Opinion

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, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. 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 14, 2011
Prince George, BC

Chartered Accountants

REGIONAL DISTRICT OF BULKLEY-NECHAKO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2010

	2010	2009
FINANCIAL ASSETS		
Cash and temporary investments (Note 10)	\$ 7,203,955	\$ 6,652,616
Accounts receivable	395,487	211,948
Grants receivable	95,915	53,371
MFA Debt Reserve Fund (Note 2)	160,400	183,164
Due from Municipalities for debt (Note 3)	5,624,647	6,409,607
	13,480,404	13,510,706
LIABILITIES		
Short-term financing	-	180,055
Unearned grants	275,769	463,237
Accounts payable and accruals	3,327,207	3,522,987
Capital lease obligations	-	1,190
Debentures issued for the Regional District (Note 5)	1,952,394	1,408,855
Debentures issued for Municipalities (Note 3)	5,624,647	6,409,607
MFA Debt Reserve Fund (Note 2)	160,400	183,164
	11,340,417	12,169,095
NET FINANCIAL ASSETS	2,139,987	1,341,611
NON FINANCIAL ASSETS		
Property, Plant, Equipment and Infrastructure, at cost (Note 1)	14,144,930	13,928,674
Prepaid expenses	41,272	39,602
	14,186,202	13,968,276
ACCUMULATED SURPLUS	\$ 16,326,189	\$ 15,309,887

CONTINGENCIES (Note 6)

Approved by the Board:

_____ Chairperson

_____ Financial Administrator

RHN SCHMITZ de GRACE

See notes to the consolidated financial statements. Chartered Accountants

REGIONAL DISTRICT OF BULKLEY-NECHAKO
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2010

	2010		2009
	<u>Budget</u> (unaudited)	<u>Actual</u>	<u>Actual</u> (Note 11)
REVENUE			
Property tax requisition			
Municipal	\$ 3,103,065	\$ 3,100,347	\$ 3,857,294
Electoral Area	4,042,947	4,047,340	2,955,600
	7,146,012	7,147,687	6,812,894
Municipal debt payments (Note 3)	945,890	1,000,119	871,715
Federal grants - conditional	913,030	900,961	947,504
Grants in lieu of taxes	705,748	768,106	710,876
Fees and permits	224,706	354,351	330,330
Other grants - conditional	530,698	259,335	211,379
Emergency expenditure recoveries	250,000	219,395	47,290
Sundry	100,953	131,786	73,355
Municipal cost sharing	95,500	94,181	120,500
Donations	49,000	51,244	74,250
Interest	15,900	44,956	46,307
Debt Sinking Fund actuarial earnings (Note 4)	-	43,492	66,937
Provincial grants - unconditional	35,493	35,493	223,534
Administration recoveries	11,790	16,959	7,958
Provincial grants - conditional	16,456	16,456	106,389
Gain on disposal of tangible capital assets	-	1,773	31,781
Debt Reserve Fund earnings (Note 2)	-	-	1,066
	11,041,176	11,086,294	10,684,065
EXPENSES (Schedule 1)			
Environmental Services	4,242,289	2,878,653	2,969,636
Government - General, Rural and Local Commission	2,694,326	2,505,297	2,155,343
Recreation and Culture	1,647,759	1,560,550	1,606,854
Municipal debt payments (Note 3)	1,020,890	1,000,119	881,706
Fire Protection and Emergency Response	1,169,251	1,103,010	695,443
Building Inspection, Building Numbering, Planning and Development Services	962,156	790,614	839,900
Street Lighting and Transportation	108,416	125,822	103,732
Sewer and water	124,552	105,927	94,305
	11,969,639	10,069,992	9,346,919
ANNUAL SURPLUS (DEFICIT)	(928,463)	1,016,302	1,337,146
SURPLUS AT BEGINNING OF THE YEAR	15,309,887	15,309,887	13,972,741
SURPLUS AT END OF THE YEAR	\$ 14,381,424	\$ 16,326,189	\$ 15,309,887
Comprised of			
Operating		\$ (33,085)	\$ (890,309)
Reserves		4,401,235	4,197,020
Capital		(2,228,163)	(1,965,100)
Non-Financial assets		14,186,202	13,968,276
		\$ 16,326,189	\$ 15,309,887

RHN SCHMITZ de GRACE
Chartered Accountants

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Annual Surplus	\$ 1,016,302	\$ 1,337,146
Add: Non-cash items		
Amortization on tangible capital assets	609,770	551,825
Gain on sale of tangible capital assets	(1,773)	(31,781)
Changes in non-cash working capital:		
Accounts receivable	(183,539)	(18,751)
Grants receivable	(42,544)	44,653
Accounts payable and accruals	(195,835)	137,281
Unearned grants	(187,468)	402,130
Prepaid expenses	(1,670)	11,556
	<u>1,013,243</u>	<u>2,434,059</u>
FINANCING ACTIVITIES		
Proceeds from short-term financing	-	180,000
Repayment of short-term financing	(180,000)	(52,680)
Debentures issued	739,517	-
Actuarial earnings on Debt Sinking Fund	(43,492)	(66,937)
Debt repayments	(152,486)	(204,693)
Capital lease repayments	(1,190)	(2,884)
	<u>362,349</u>	<u>(147,194)</u>
INVESTING ACTIVITIES		
Purchase of Property, Plant, Equipment and Infrastructure	(837,026)	(247,097)
Disposals during the year	12,773	70,875
	<u>(824,253)</u>	<u>(176,222)</u>
INCREASE DURING THE YEAR	551,339	2,110,643
CASH AND TEMPORARY INVESTMENTS AT BEGINNING OF THE YEAR	<u>6,652,616</u>	<u>4,541,973</u>
CASH AND TEMPORARY INVESTMENTS AT END OF THE YEAR	<u><u>\$ 7,203,955</u></u>	<u><u>\$ 6,652,616</u></u>

RHN SCHMITZ de GRACE

See notes to the consolidated financial statements. Chartered Accountants

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

For the year ended December 31, 2010

	<u>2010</u>		<u>2009</u>
	<u>Budget</u> (unaudited)	<u>Actual</u>	<u>Actual</u>
ANNUAL SURPLUS	\$ (928,463)	\$ 1,016,302	\$ 1,337,146
Acquisition of tangible capital assets	(1,629,317)	(837,026)	(247,094)
Gain on sale of tangible capital assets	-	(1,773)	(31,781)
Proceeds on sale of tangible capital assets	-	12,773	70,875
Amortization of tangible capital assets	553,004	609,770	551,825
	<u>(2,004,776)</u>	800,046	1,680,971
Net (acquisition) consumption of prepaid expenses	<u>-</u>	<u>(1,670)</u>	<u>11,555</u>
CHANGES IN NET FINANCIAL ASSETS	(2,004,776)	798,376	1,692,526
NET FINANCIAL ASSETS AT BEGINNING OF THE YEAR	<u>1,341,612</u>	<u>1,341,612</u>	<u>(350,914)</u>
NET FINANCIAL ASSETS AT END OF THE YEAR	<u><u>\$ (663,164)</u></u>	<u><u>\$ 2,139,988</u></u>	<u><u>\$ 1,341,612</u></u>

RHN SCHMITZ de GRACE
Chartered Accountants

See notes to the consolidated financial statements.

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

For the year ended December 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

The Regional District uses Canadian generally accepted accounting principles for governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

a) Basis of Presentation

The consolidated financial statements include all the funds of the Regional District. Inter-fund transactions and balances have been eliminated.

Budget figures disclosed throughout the financial statements have been extracted from the 2010 final budget, adopted in March 2010.

b) Basis of Accounting

A full accrual basis of accounting is used.

c) Property, Plant, Equipment and Infrastructure

Purchased land, buildings, vehicles, machinery and equipment, and engineered structures are recorded at cost.

d) 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
Heavy vehicles	10-20
Passenger vehicles	6-10
Other equipment	5-10

e) Reserves

Reserves consist of funds set aside from current and prior year's operations as well as third party contributions and are available for future years' expenditures.

f) Revenue Recognition

The Regional District recognizes revenue as follows:

Revenue generated by property taxes and utilities is recognized in the period to which it relates.

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

For the year ended December 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES, continued

f) Revenue Recognition, (continued)

Unrestricted revenue from government and other grants is recognized in the year in which it is approved by the funders.

Grants received for specific projects or purposes are recognized as the related expenditures are incurred.

Grants received from the Federal Gas Tax Agreement are recorded as revenue in the year received.

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

g) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of sales and expenditures during the year. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. MFA DEBT RESERVE FUND

The Regional District issues debt instruments through the Municipal Finance Authority of B.C., 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 the Municipal Finance Authority in excess of the debt borrowed. The demand notes are contingent in nature and are not reported in the Financial Statements (see note 6).

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 and as a financial liability.

3. MUNICIPAL DEBENTURE DEBT

When a member Municipality within the Regional District wishes to issue debenture debt through the Municipal Finance Authority of B.C., the borrowing is done through the Regional District. The Regional District is therefore responsible for repayment of the debt to the Authority. When payments (interest and sinking fund or principal) are made on this debt, the Regional District pays the Authority 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. Municipal debt payments are shown as revenue and an offsetting expenditure.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

4. 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.

5. 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 BC. 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			2010	2009
Environmental Services	2002	438,000	2012	5.37%	\$ 105,471	\$ 154,471
Environmental Services	2008	677,000	2018	4.65%	561,969	620,612
Environmental Services	2010	729,517	2020	3.73%	729,517	-
Bulkley Valley Pool and Recreation Centre	2002	150,000	2012	5.37%	36,120	52,901
Burns Lake Rural Fire Protection	2000	55,000	2010	6.36%	-	6,784
Burns Lake Arena	1999	500,000	2014	6.15%	170,455	208,556
Burns Lake Arena	1999	200,000	2019	6.20%	113,850	123,922
Fort Fraser Sewer	2001	30,000	2016	5.93%	14,670	16,724
Fort Fraser Sewer	2002	10,000	2012	5.37%	2,408	3,527
Fort Fraser Fire	2004	147,140	2019	5.30%	100,759	109,462
Luck Bay Fire	2006	125,000	2026	4.67%	107,175	111,896
Luck Bay Fire	2010	10,000	2030	3.73%	10,000	-
		<u>\$ 3,071,657</u>			<u>\$ 1,952,394</u>	<u>\$ 1,408,855</u>

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

	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>	<u>Actuarial Earnings</u>
2011	\$ 208,869	\$ 149,730	\$ 358,599	\$ 49,921
2012	208,869	149,730	\$ 358,599	61,358
2013	222,088	144,828	\$ 366,916	48,363
2014	222,088	144,828	\$ 366,916	59,600
2015	197,184	114,078	\$ 311,262	48,664

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

For the year ended December 31, 2010

6. CONTINGENCIES

a) MFA Issues:

The Regional District is contingently liable to the Municipal Finance Authority of B.C. in excess of the amounts borrowed under the terms of demand notes issued to the Authority. Member Municipalities have signed offsetting demand notes to the Regional District for borrowing made on their behalf:

	2010	2009
Demand Notes Outstanding:		
Borrowing on behalf of member Municipalities	\$ 359,980	\$ 420,265
Borrowing for Regional District purposes	147,887	114,338
	\$ 507,867	\$ 534,603

b) Employee Sick Leave:

The Regional District is contingently liable to pay its employees sick leave. The total value of the accumulated sick time is \$348,852 at December 31, 2010 (2009 - \$333,871). As at the year end management has accrued \$168,140 (2009 - \$122,627) as an estimate of the expected payable.

c) Employee Retiring Allowance

The Regional District is contingently liable to pay employees one week salary for every year of employment upon normal retirement from the Regional District. The total value of this retiring allowance is \$137,392 at December 31, 2010 (2009 - \$123,154). As at year end, management has accrued \$95,558 (2009 - \$84,741) as an estimate of the expected payable.

7. MUNICIPAL PENSION PLAN

The Regional District and its employees contribute to the Municipal Pension Plan (the plan), a jointly trusteed pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2009, indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The Regional District of Bulkley-Nechako paid \$ 133,514 (2009- \$138,230) for employer contributions to the plan in fiscal 2010.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

8. UNFUNDED LIABILITY FOR LANDFILL CLOSURE COSTS

Accounts payable and accruals include \$ 2.34 million of liabilities at December 31, 2010 (\$2.73 million at December 31, 2009) 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 and are not recorded as accounting transactions during 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. 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 \$1,232,351 as at December 31, 2010 (2009 - \$1,349,875).

9. FINANCIAL INSTRUMENTS

The Regional District's financial instruments are comprised of cash, temporary investments, grants receivable, accounts receivable, due from Municipalities, accounts payable, accrued liabilities, debentures issued for the Regional District and debentures issued for Municipalities.

a) Credit Risk

The Regional District provides credit to its clients in the normal course of business and carries out specific procedures to minimize the risk. Credit risk is minimal.

b) Interest Rate Risk

The Regional District is exposed to interest rate risk arising from fluctuating interest rate on borrowing and investments.

c) Fair Value

The carrying value for primary instruments approximates fair value, due to their short-term maturities. The carrying value of non-current instruments approximates fair value because it is based upon interest rates currently available to entities in similar circumstances.

10. INVESTMENTS

The Regional District holds investments in Municipal Finance Authority money market funds at varying interest rates throughout the year. The average interest rate for the year was 1.0% (2009 – 1.0%).

11. COMPARATIVE FIGURES

The comparative figures have been reclassified where applicable in order to conform to the financial statement presentation used in the current year.

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

For the year ended December 31, 2010

	2010		2009
	<u>Budget</u> (unaudited)	<u>Actual</u>	<u>Actual</u>
Purchased services and supplies	\$ 4,428,334	\$ 2,922,778	\$ 2,456,531
Staff remuneration and benefits	2,489,377	2,423,325	2,428,235
Payments to Societies	1,456,289	1,408,079	1,509,366
Municipal debt payments	1,020,890	1,000,119	881,706
Payments to Municipalities	841,201	856,442	640,606
Directors' remuneration	287,862	253,465	253,230
Interest on debentures	125,717	126,103	148,205
Insurance and permits	128,185	123,470	131,861
Electoral Area Grants in Aid	339,859	104,359	125,792
Directors' travel and expenses	113,354	90,546	109,061
Staff travel, upgrading and conference	64,250	51,752	45,940
Elections and referendums	34,078	42,180	15,295
Memberships and dues	33,637	30,414	31,035
Debenture issue costs	14,242	11,832	-
Interest	10,500	11,831	(508)
Volunteer benefits	3,860	3,527	3,739
Treaty Advisory Committee	25,000	-	15,000
Amortization	553,004	609,770	551,825
	<u>\$ 11,969,639</u>	<u>\$ 10,069,992</u>	<u>\$ 9,346,919</u>

See notes to the consolidated financial statements.

RHN SCHMITZ de GRACE
Chartered Accountants

REGIONAL DISTRICT OF BULKLEY-NECHAKO

SCHEDULE OF CONTINUITY OF RESERVE FUNDS

For the year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
BALANCE AT BEGINNING OF THE YEAR	\$ 4,197,020	\$ 2,532,400
Contribution to funds	1,066,547	1,774,910
Interest earned on funds	26,799	29,374
Withdrawals from funds to operations	<u>(889,131)</u>	<u>(139,664)</u>
BALANCE AT END OF THE YEAR	<u>\$ 4,401,235</u>	<u>\$ 4,197,020</u>
 REPRESENTED BY THE FOLLOWING RESERVE FUNDS		
Administrative equipment	\$ 58,844	\$ 53,505
Administration/Planning/Development Services Vehicle	31,283	57,106
Building Inspection vehicle	35,210	54,910
Bulkley Valley Pool Capital Reserve	87,758	37,383
Burns Lake Arena	52,403	50,170
Burns Lake Rural Fire Protection	45	45
Election	32,097	14,956
Environmental Services vehicle	14,702	44,481
Fort Fraser Sewer Capital	29,874	13,743
Fort Fraser Rural Fire Protection	19,613	16,504
Fort Fraser Water Capital	92,733	46,316
Fort St. James Rural Fire Protection	795	87,266
Fuel tax capital projects	1,984,661	1,716,631
Glacier Gulch Water Diversion	2,066	2,053
Houston Rural Fire Protection	5,711	5,677
Insurance	53,868	46,980
Landfill Phase Development	385,006	342,809
Landfill closure costs	1,232,351	1,349,875
Landfill post closure and monitoring costs	127,717	107,009
Luck Bay Capital	93	6,454
Planning plotter	16,546	12,459
Smithers Rural Fire Protection	51,709	41,428
Southside Capital	12,079	9,015
Telkwa Rural Fire Protection	1,010	1,004
Vanderhoof Pool	-	9,113
Vanderhoof Rural Fire Protection	33,050	30,358
Weed Control vehicle	<u>40,011</u>	<u>39,770</u>
	<u>\$ 4,401,235</u>	<u>\$ 4,197,020</u>

RHN SCHMITZ de GRACE

See notes to the consolidated financial statements. Chartered Accountants

Regional District of Bulkley-Nechako
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2010

	Engineered Structures							2010 Total	2009 Total
	Land	Building	Equipment / Vehicles	Water	Sewer	Landfills	Transfer Stations		
COST									
Opening Balance	\$ 261,291	\$ 6,301,485	\$ 1,965,997	\$ 1,109,807	\$ 718,501	\$ 3,472,291	\$ 4,614,786	\$ 18,444,158	\$ 18,453,905
Add: Additions	-	48,311	757,985	-	-	30,730	-	837,026	247,097
Less: Disposals	-	-	122,829	-	-	-	-	122,829	256,844
Less: Write-downs	-	-	-	-	-	-	-	-	-
Closing Balance	261,291	6,349,796	2,601,153	1,109,807	718,501	3,503,021	4,614,786	19,158,355	18,444,158
ACCUMULATED AMORTIZATION									
Opening Balance	-	1,420,769	814,870	508,474	257,447	701,414	812,510	4,515,484	4,181,408
Add: Amortization	-	129,136	228,465	28,045	15,196	102,317	106,611	609,770	551,824
Less: Acc. Amortization on Disposals	-	-	111,829	-	-	-	-	111,829	217,748
Closing Balance	-	1,549,905	931,506	536,519	272,643	803,731	919,121	5,013,425	4,515,484
Net Book Value for year ended December 31, 2010	\$ 261,291	\$ 4,798,891	\$ 1,669,647	\$ 573,288	\$ 445,858	\$ 2,699,290	\$ 3,695,665	\$ 14,144,930	
Net Book Value, year ended December 31, 2009	\$ 261,291	\$ 4,880,716	\$ 1,151,127	\$ 601,333	\$ 461,054	\$ 2,770,877	\$ 3,802,276		\$ 13,928,674

RHN SCHMITZ de GRACE
Chartered Accountants