

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

December 31, 2008



2008 Annual Report

Monday, April 13, 2009

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, 2008 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.

Tangible Capital Assets

The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants has implemented new rules for accounting for Tangible Capital Assets to take effect for financial statements for the year ending December 31, 2009. Previously, local governments accounted for capital expenditures as current expenses. Under the new rules, tangible capital assets will be capitalized and amortized over their expected useful lives. Annual amortization will be shown as a current expense and the assets will be shown on the balance sheet at their cost less accumulated amortization.

During 2008, the Regional District prepared an inventory of its existing tangible capital assets. Valuation of the tangible capital asset inventory is under way and will be completed in time for the preparation of the 2009 audited financial statements.

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.

Area “D” Transfer Station

In an effort to reduce costs at the Area “D” Transfer Station serving Fraser Lake and the surrounding rural area, a waste compaction pad was constructed to enable waste to be deposited and then crushed utilizing the on-site loader. This compaction increases the waste density in the bins and ultimately decreases the number of loads going to the Clearview Landfill. Since the construction and operation of the compaction pad, increased tonnages and a decrease in the number of loads have been achieved.

Western Waste Hauling

The hauling of municipal solid waste from the Smithers/Telkwa, Burns Lake and Granisle Transfer Stations to the Knockholt Western Sub-Regional Landfill utilizing Regional District equipment and employees commenced in December 2007.

The annual cost of hauling waste in the western portion of the Regional District is about \$339,000 compared with contractor costs of about \$407,000 based on the lowest tender bid received in 2007, saving taxpayers a significant amount.



Knockholt Sub-Regional Landfill Swap Shed/Recycling Area Construction

The RDBN expanded reuse options for the residents of Houston and surrounding rural area by constructing a swap shed and recycling area at the Knockholt Landfill. The swap shed is intended to encourage the reuse of items that, although no longer useful for the current owner, may be useful to someone else. Examples of materials appropriate for the swap shed include toys, sports equipment, small appliances and clean clothing in good condition. The recycling area consists of lock block bays designated for the collection of such items as propane tanks, doors and windows, bikes and lawnmowers, tin cans and fridges.

The Regional District also has Swap sheds and recycling areas at all of its transfer stations.

Knockholt Sub-Regional Landfill Liquid Waste Management

In 2007, the Regional District constructed a septage receiving facility and engineered wetland for the treatment of combined septage/leachate wastes. Operation of the system began in 2008. Approval for discharge from the wetland was obtained from the Ministry of Environment and over the spring, summer and fall periods, landfill leachate was discharged from a lagoon to the wetland for final treatment prior to discharge off-site. The operation of the wetland was closely monitored two to three times per week to ensure proper operation, including measuring dissolved oxygen levels, pH and flow rates. In addition, effluent samples were taken on a regular basis to make sure the treated leachate met provincial discharge standards.

Recycling

The Regional District continued its financial support of the Smithers and Area Recycling Society in 2008, and also participated on the BC Product Stewardship Council, which is an organization comprised of local government waste managers and other stakeholder groups that is working with the BC Ministry of Environment in the promotion and expansion of the BC Recycling Regulations.

In addition to these activities, community specific “recycling brochures” were developed and distributed to mailboxes across the RDBN. The “recycling brochures” provide a list of available recycling options for such items as residual paint, rechargeable batteries, pharmaceuticals, metal, beverage containers and cardboard. The brochures are also on published our website at www.rdbn.bc.ca.

Environmental Planning

In 2008, the RDBN initiated two planning projects with the intent that the results of the studies would assist in the development of future strategies for the economically and environmentally sustainable management of municipal solid waste.

a) Solid Waste Management Plan Review

In October 2008, the Regional District committed to conduct a Stage 1 effectiveness review of the Regional District Solid Waste Management Plan. A consultant was hired to complete the work with the final report submitted in March 2009.



b) Waste-to-Energy, Job Creation to Sustainable Communities Feasibility Study

In 2008 the RDBN was successful in obtaining grant funding for the completion of a Waste-to-Energy Feasibility Study valued at \$150,000. Funding partners that have contributed to the project include:

- Community Economic Diversification Initiative - \$115,000
- Omineca Beetle Action Coalition - \$10,000
- Northern Development Initiative Trust - \$10,000
- Regional District of Bulkley-Nechako - \$15,000

The primary objective of the Feasibility Study is to determine if an economically and environmentally sustainable waste-to-energy technology, or group of technologies, exists 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 Feasibility Study will also examine utilizing the excess heat generated at such a facility to support other industries such as the operation of a large scale greenhouse facility as well as a recommended approach for separating and composting organics from the waste stream to produce marketable soil products. The concepts of partnering with local industry as well as adjacent Regional Districts will be explored to determine if and how economies of scale can be achieved to ensure the recommended technology or technologies are economically viable and sustainable. The Project is expected to be completed by July 15, 2009.

Planning Services

Long Range Planning

In 2008 the Planning Department facilitated the final round of public consultation and finalized the draft Endako, Fraser Lake, Fort Fraser Rural OCP for area D. The bylaw was given first and second, followed by a public hearing and third reading. It is now with the Ministry of Community Services for approval.

Preliminary work has begun on the Burns Lake Rural Official Community Plan process for Electoral Area B, and a portion of Electoral Area E.

In 2008 the Planning Department, in association with the Regional Strategic Development function, obtained funding and hired a consultant to undertake a region-wide industrial land use inventory study for all Electoral Areas. The studies were started in 2008 and are expected to be completed in the Spring of 2009.

Current Planning

In 2008, in addition to responding to public enquiries, various land use referrals and the processing of land use and rezoning applications, the following initiatives were undertaken:



- Reviewed the Regional District process regarding the Pump and Haul Bylaw, the Province's policy and regulations, assessed the long term implications to Regional District facilities, and reported to the Board with the results of the review.
- Reviewed and made recommendations to the Regional District Board regarding the Provincial sale of small waterfront lease lots incapable of providing onsite sewage disposal.
- Began a review of the "Regional District of Bulkley-Nechako Zoning Bylaw No. 700, 1993," to be completed in 2009.
- Developed, and obtained Board approval of, a "Strata Property Conversion Policy".
- Developed a strategy that was tentatively approved by the Board to regulate wind turbines and wind farms within the region, for inclusion in the revised zoning bylaw.

Geographic Information Systems (GIS)

In 2008, in addition to updating the base mapping and digitizing records, software options to develop a data distribution system and a web based mapping system were researched. The software was selected and purchased in December 2008.

Building Inspection

The Regional District provides building inspection services to a number of municipalities under contract. In 2008, the fee structure for providing the service was reviewed and the contract terms were amended to better reflect the actual costs and workload associated with the service.

In 2008 staff reported to the Board on Bill 27 - "Greening of the Building Code" and the implications to the building code amendments to the Regional District.

The Planning Department reported to the Board on the Province's Building Code Modernization Strategy, which is evaluating the issues surrounding enforcement of the BC Building Code. The Province wants the BC Building Code enforced in all areas of the province, even where building inspection services do not currently exist. Staff attempted, unsuccessfully, to participate in the Provincial working group that is exploring the feasibility of the British Columbia Safety Authority becoming involved in Building Code review, inspections, and enforcement. Monitoring of this issue will continue in 2009.

Emergency Preparedness Program

The Emergency Preparedness Coordinator resigned in early 2008. In response the Planning Department reviewed with the Board the legal and practical responsibilities associated with the Emergency Preparedness Program. A new Emergency Preparedness Coordinator was hired and has started developing a new work plan.

There were no significant emergency incidents in 2008.



Special Projects

In 2008 the Planning Department was involved in the following special projects, among others.

- Ski Smithers Master Plan review and approval process.
- Request for Proposal process to select a consultant to undertake an Ebenezer Flats Erosion Protection Study, and completion of Phase 1 of that study.
- Reviewed the initiative by the Province and the Northern Development Initiative Trust to change the Crown Land Disposition Process and reported to the Board. Follow-up is expected in 2009.

Regional 9-1-1 Emergency Telephone Response Service

In 2008, the Board of the Regional District of Bulkley-Nechako passed a resolution to start a 9-1-1 emergency telephone response system throughout the Region to improve the safety of the Region's residents and its many visitors.

Benefits to the Public

- Easy to remember widely recognized three digit number;
- Automatic address identification based on digital mapping, so a child, elderly person or a caller in distress does not have to speak or know their location to receive emergency help (number and location tracing);
- 9-1-1 operators can connect to fire, police and ambulance simultaneously, saving dispatch time;
- 9-1-1 operators are experts in dealing with public in distress; they are trained to provide life saving instructions over the telephone until emergency crews arrive;
- Tourists and visitors from other areas expect to be able to call 9-1-1;
- 9-1-1 operators arrange for ground support for crews on the scene (hydro, police, ambulance, help from other fire departments in the region if needed);
- No money is needed when dialing 9-1-1 from a pay telephone;
- Multi-language translation services available;
- Hearing impaired can access 9-1-1 through the use of TDD.

Costs

Taxation for the 9-1-1 Service will be on the assessed property value of improvements only. The Regional District of Bulkley-Nechako was successful in its application for a Provincial grant of \$375,000 under the Towns for Tomorrow program, reducing the cost to the Region's taxpayers for the purchase of communications equipment to about \$188,000. This means that a taxpayer with a house valued at \$100,000 will pay a one-time tax of about \$7 for capital costs.

The annual cost for operating and maintaining the 9-1-1 System will be recovered from two sources:

- Monthly TELUS charge of \$0.75 for each fixed telephone line; and



- Regional District taxation of about \$0.07 per \$1,000 on the value of improvements only. This equates to annual taxation of about \$7 for a property owner with a house valued at \$100,000.

First Nations Bands will be included at their request on a cost recovery basis.

The bylaw was adopted in the Spring of 2009 and implementation is expected to be completed by the end of 2010.

Community Services

Southside Rural Fire Protection

The Regional District held a referendum to determine if taxpayers would agree to an increase in the annual tax limit for this service from \$13,000 to the greater of \$30,000 or \$1.29 per \$1,000 on the assessed value of their properties (improvements only). The referendum passed with a 78% majority.

Colony Point Street Lighting

A petition was held to determine if property owners in the Colony Point area, near the south shore of Stuart Lake in rural Fort St. James, wanted a new street lighting service in their neighbourhood. We received petitions in favour of the proposed service from a majority of property owners representing a majority of the property value assessments in the proposed service area. As a result, the Regional District arranged for the installation of 10 new street lights, funded by a \$2,000 grant in aid from Electoral Area "C". Beginning in 2009, operating costs will be funded through taxation at a maximum rate of \$0.29 per \$1,000 of property value assessments in the service area. The 2009 tax rate is \$0.18 per \$1,000.

Vanderhoof Rural Fire Protection

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. While the results were close, not enough petitions were received in favour of joining the service. The Regional District is reviewing options to determine if a smaller boundary expansion is appropriate.

Fort St. James Rural Fire Protection

Several property owners just outside of the existing boundaries of the Fort St. James Rural Fire Protection Service Area were asked in a petition process if they wanted to be included within the service boundaries. Not enough petitions in favour of joining the service were received.



Regional Strategic Development

In 2008 the focus of 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 approximately \$1.9 million in grant funding to support 28 non-profit community groups across the Region, as well as some Regional District in house projects;
- Hosted quarterly Regional Communications Meetings to ensure communication with Economic Development Officers and Chief Administrative Officers in the Region;
- Completed the Regional District of Bulkley-Nechako Five Year Economic Development Action Plan;
- Hosted a Regional Business Forum, with over 120 business / residents in attendance. The Forum provided information on major projects taking place within the Region;
- Translated Regional District of Bulkley-Nechako DVD's into three languages, produced and distributed copies to Canadian Trade representatives in China, Japan and Brazil;
- Organized representation by a Regional Director at a trade mission in Beijing;
- Completed Regional marketing initiatives such as advertising in the Trade and Commerce BC Magazine, as well as sponsoring the Association for Mineral Exploration BC Newsletter.

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, 2008, there were municipal debentures outstanding in the amount of \$6,403,331.

For its own account, the Regional District issued ten year debentures in the amount of \$677,000 for the purchase of a new waste hauling fleet for the western portion of the Regional District and repaid the related interim financing. Debenture repayments in 2008 of \$148,304 and actuarial earnings of \$56,729 resulted in total debt reduction of \$205,033 bringing the outstanding debt for all Regional District services to \$1,733,264 at December 31, 2008.

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 2008, contributions of \$731,609 were made, \$170,348 was withdrawn for approved expenditures and interest of \$73,292 was earned, bringing the balance at December 31, 2008 to \$2,532,400.



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 \$2,009,573 at December 31, 2008, representing an increase of \$1,089,882 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.

Respectfully submitted,

Hans Berndorff, C.A.

RHN SCHMITZ de GRACE

Chartered Accountants

Partners

- Lynn Ross CA
- Norm Hildebrandt BBA, CA
- Kerry Nichiporik CA

- Denotes professional corporation

1116 Sixth Avenue
Prince George, BC, V2L 3M6
Tel. (250) 564-2515
Fax (250) 562-8722
E-mail: office@rhngroup.ca

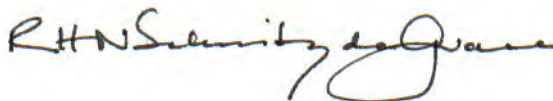
AUDITORS' REPORT

To the Directors of
Regional District of Bulkley-Nechako

We have audited the consolidated statement of financial position of the Regional District of Bulkley-Nechako as at December 31, 2008 and the consolidated statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the Regional District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2008 and the results of its financial activities 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.



Prince George, BC
March 18, 2009

Chartered Accountants

REGIONAL DISTRICT OF BULKLEY-NECHAKO
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2008

| | 2008 | | 2007 |
|---|------------------------------|---------------|----------------------------|
| | <u>Budget</u> (unaudited) | <u>Actual</u> | <u>Actual</u> (Note 15) |
| REVENUE | | | |
| Property tax requisition | | | |
| Electoral Area | \$ 4,125,643 | \$ 4,121,198 | \$ 4,146,997 |
| Municipal | 3,167,961 | 3,171,232 | 3,485,082 |
| | 7,293,604 | 7,292,430 | 7,632,079 |
| Municipal debt payments (Note 3) | 935,772 | 1,014,152 | 1,064,057 |
| Federal grants - conditional | 488,900 | 505,746 | 376,608 |
| Fees and permits | 214,256 | 401,885 | 293,777 |
| Other grants - conditional | 379,831 | 231,009 | 124,278 |
| Interest | 41,500 | 138,155 | 156,194 |
| Provincial grants - conditional | 78,648 | 93,325 | 338,851 |
| Grants in lieu of taxes | 72,600 | 78,667 | 114,724 |
| Provincial grants - unconditional | 70,000 | 70,000 | 143,000 |
| Debt Sinking Fund actuarial earnings (Note 4) | - | 56,729 | 49,313 |
| Municipal cost sharing | 39,000 | 46,162 | 51,186 |
| Donations | - | 41,775 | 12,550 |
| Sundry | 59,144 | 37,186 | 47,517 |
| Administration recoveries | - | 6,644 | 6,060 |
| Debt Reserve Fund earnings (Note 2) | - | 1,632 | 1,436 |
| Emergency expenditure recoveries | - | - | 170,392 |
| | 9,673,255 | 10,015,497 | 10,582,022 |
| EXPENDITURES | | | |
| Environmental Services | 3,416,342 | 2,624,208 | 2,678,777 |
| Government - General, Rural and Local Commission | 3,096,991 | 2,037,816 | 1,774,037 |
| Recreation and Culture | 1,476,869 | 1,476,519 | 1,373,096 |
| Municipal debt payments (Note 3) | 935,772 | 1,014,152 | 1,064,057 |
| Fire Protection and Emergency Response | 691,136 | 583,293 | 749,246 |
| Building Inspection, Building Numbering, Planning and Development Services | 801,669 | 716,724 | 650,775 |
| Street Lighting and Transportation | 101,368 | 100,018 | 146,507 |
| Sewer and water | 88,824 | 51,581 | 42,982 |
| | 10,608,971 | 8,604,311 | 8,479,477 |
| EXCESS (EXPENDITURES) REVENUE | (935,716) | 1,411,186 | 2,102,545 |
| SURPLUS AT BEGINNING OF THE YEAR | 16,081,216 | 16,081,216 | 13,978,671 |
| SURPLUS AT END OF THE YEAR | \$ 15,145,500 | \$ 17,492,402 | \$ 16,081,216 |
| Comprised of | | | |
| Operating | | (1,145,976) | (1,867,793) |
| Reserves | | 2,532,400 | 1,897,847 |
| Capital | | (1,737,338) | (1,509,406) |
| Non-Financial assets | | 17,843,316 | 17,560,568 |
| | | 17,492,402 | 16,081,216 |

RHN SCHMITZ de GRACE
Chartered Accountants

See notes to the consolidated financial statements.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2008

| | 2008 | 2007 |
|--|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| Cash and temporary investments | \$ 4,541,973 | \$ 2,817,538 |
| Accounts receivable | 193,198 | 428,648 |
| Grants receivable | 98,024 | 325,919 |
| MFA Debt Reserve Fund (Note 2) | 183,833 | 193,050 |
| Due from Municipalities for debt (Note 3) | 6,403,331 | 7,052,486 |
| | 11,420,359 | 10,817,641 |
| LIABILITIES | | |
| Short-term financing (Note 13) | 52,778 | 294,020 |
| Unearned grants | 61,107 | 28,582 |
| Accounts payable and accruals | 3,385,664 | 3,513,469 |
| Capital lease obligations (Note 7) | 4,074 | 6,867 |
| Debentures issued for the Regional District (Note 6) | 1,680,486 | 1,208,519 |
| Debentures issued for Municipalities (Note 3) | 6,403,331 | 7,052,486 |
| MFA Debt Reserve Fund (Note 2) | 183,833 | 193,050 |
| | 11,771,273 | 12,296,993 |
| NET FINANCIAL ASSETS | (350,914) | (1,479,352) |
| NON FINANCIAL ASSETS | | |
| Property, Plant, Equipment and Infrastructure, at cost (Note 5) | 17,792,158 | 17,520,532 |
| Prepaid expenses | 51,158 | 40,036 |
| | 17,843,316 | 17,560,568 |
| ACCUMULATED SURPLUS | \$ 17,492,402 | \$ 16,081,216 |

CONTINGENCIES (Note 8)

Approved by the Board:

_____ Chairperson

_____ Financial Administrator

See notes to the consolidated financial statements.

RHN SCHMITZ de GRACE
Chartered Accountants

REGIONAL DISTRICT OF BULKLEY-NECHAKO
CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31, 2008

| | <u>2008</u> | <u>2007</u> |
|--|-----------------------------------|-----------------------------------|
| OPERATING ACTIVITIES | | |
| Excess (Expenditures) Revenue | \$ 1,411,186 | \$ 2,102,545 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 235,450 | (61,512) |
| Grants receivable | 227,895 | (248,678) |
| Accounts payable and accruals | (127,805) | 44,695 |
| Unearned grants | 32,525 | (4,328) |
| Prepaid expenses | (11,122) | 22,517 |
| | <u>1,768,129</u> | <u>1,855,239</u> |
| FINANCING ACTIVITIES | | |
| Proceeds from short-term financing | - | 215,000 |
| Repayment of short-term financing | (241,242) | (26,340) |
| Debentures issued | 677,000 | - |
| Actuarial earnings on Debt Sinking Fund | (56,729) | (49,313) |
| Debt repayments | (148,304) | (152,493) |
| Capital lease repayments | (2,793) | (2,703) |
| | <u>227,932</u> | <u>(15,849)</u> |
| INVESTING ACTIVITIES | | |
| Purchase of Property, Plant, Equipment and Infrastructure | (348,453) | (2,713,814) |
| Disposals during the year | 76,827 | 46,083 |
| | <u>(271,626)</u> | <u>(2,667,731)</u> |
| INCREASE (DECREASE) DURING THE YEAR | 1,724,435 | (828,341) |
| CASH AND TEMPORARY INVESTMENTS AT BEGINNING OF THE YEAR | <u>2,817,538</u> | <u>3,645,879</u> |
| CASH AND TEMPORARY INVESTMENTS AT END OF THE YEAR | <u><u>\$ 4,541,973</u></u> | <u><u>\$ 2,817,538</u></u> |

See notes to the consolidated financial statements.

RHN SCHMITZ de GRACE
Chartered Accountants

REGIONAL DISTRICT OF BULKLEY-NECHAKO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

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 2008 final budget, adopted March 20, 2008.

b) Basis of Accounting

A full accrual basis of accounting is used.

c) Capital Assets

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

d) Amortization

The Regional District does not provide for amortization of its capital assets.

e) Reserves

Reserves consist of funds set aside from current and prior year's operations, third party contributions and unexpended debenture debt, 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.

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.

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

For the year ended December 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

f) Revenue Recognition (Continued)

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 8).

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.

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% 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% rate of return.

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

For the year ended December 31, 2008

5. PROPERTY, PLANT, EQUIPMENT AND INFRASTRUCTURE, at cost

| | 2007 | Additions | Disposals/ Write Downs | 2008 |
|--|----------------------|-------------------|---------------------------|----------------------|
| Environmental Services landfills and transfer stations | \$ 8,243,029 | \$ 115,487 | \$ - | \$ 8,358,516 |
| Bulkley Valley Pool and Recreation Centre | 3,265,946 | - | - | 3,265,946 |
| General office land and building | 2,009,592 | 77,127 | - | 2,086,719 |
| Environmental Services equipment and vehicles | 1,208,391 | 45,946 | (67,544) | 1,186,793 |
| Fort Fraser Water system and equipment | 1,110,908 | 4,007 | - | 1,114,915 |
| Fort Fraser Sewer system and equipment | 639,569 | - | - | 639,569 |
| General equipment and vehicles | 275,218 | 96,361 | - 5,520 | 366,059 |
| Fort Fraser Rural Fire Protection equipment | 189,828 | - | - | 189,828 |
| Planning/Development Services equipment and vehicles | 130,629 | 7,015 | (1,964) | 135,680 |
| Luck Bay fire hall | 121,939 | - | - | 121,939 |
| Geographic Information Database | 108,197 | - | - | 108,197 |
| Fort Fraser land and fire hall | 104,002 | - | - | 104,002 |
| Building Inspection vehicles and equipment | 89,644 | 2,510 | (1,799) | 90,355 |
| Southside Rural Fire Protection and equipment | 20,614 | - | - | 20,614 |
| Weed Control equipment | 2,801 | - | - | 2,801 |
| Fort Fraser Local Community equipment | 225 | - | - | 225 |
| | <u>\$ 17,520,532</u> | <u>\$ 348,453</u> | <u>\$ (76,827)</u> | <u>\$ 17,792,158</u> |

6. 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 | | | 2008 | 2007 |
| Environmental Services | 1999 | \$ 600,000 | 2009 | 5.49% | \$ 74,003 | \$ 144,481 |
| Environmental Services | 2002 | 438,000 | 2012 | 5.37% | 201,137 | 245,580 |
| Environmental Services | 2008 | 677,000 | 2018 | 4.65% | 677,000 | |
| Bulkley Valley Pool and Recreation Centre | 2002 | 150,000 | 2012 | 5.37% | 68,883 | 84,103 |
| Burns Lake Rural Fire Protection | 2000 | 55,000 | 2010 | 6.36% | 13,244 | 19,397 |
| Smithers Rural Fire Protection | 1999 | 88,800 | 2009 | 5.99% | 10,952 | 21,383 |
| Burns Lake Arena | 1999 | 500,000 | 2014 | 6.15% | 244,502 | 278,736 |
| Burns Lake Arena | 1999 | 200,000 | 2019 | 6.20% | 133,306 | 142,242 |
| Fort Fraser Sewer | 2001 | 30,000 | 2016 | 5.93% | 18,680 | 20,544 |
| Fort Fraser Sewer | 2002 | 10,000 | 2012 | 5.37% | 4,592 | 5,607 |
| Fort Fraser Fire | 2004 | 147,140 | 2019 | 5.30% | 117,750 | 125,644 |
| Luck Bay Fire | 2006 | 125,000 | 2026 | 4.67% | 116,437 | 120,802 |
| | | <u>\$ 3,020,940</u> | | | <u>\$ 1,680,486</u> | <u>\$ 1,208,519</u> |

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

For the year ended December 31, 2008

6. DEBENTURES ISSUED FOR THE REGIONAL DISTRICT (CONTINUED)

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> |
|------|-------------------------------|------------------------------|---------------------------|-------------------------------|
| 2009 | \$ 204,694 | \$ 163,892 | \$ 368,586 | \$ 56,730 |
| 2010 | 149,932 | 158,562 | 308,494 | 66,937 |
| 2011 | 145,559 | 155,086 | 300,645 | 43,214 |
| 2012 | 145,559 | 155,086 | 300,645 | 47,254 |
| 2013 | 98,015 | 122,973 | 220,988 | 54,026 |

7. CAPITAL LEASE OBLIGATIONS

MUNICIPAL FINANCE AUTHORITY, repayable in monthly instalments of \$283, secured by a charge on specific equipment.

| <u>2008</u> | <u>2007</u> |
|-----------------|-----------------|
| <u>\$ 4,074</u> | <u>\$ 6,867</u> |

8. CONTINGENT LIABILITES

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:

| | <u>2008</u> | <u>2007</u> |
|--|-------------------|-------------------|
| Demand Notes Outstanding: | | |
| Borrowing on behalf of member Municipalities | \$ 369,729 | \$ 419,212 |
| Borrowing for Regional District purposes | <u>154,309</u> | <u>117,145</u> |
| | <u>\$ 524,038</u> | <u>\$ 536,357</u> |

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 \$319,983 at December 31, 2008 (2007 - \$275,499). As at the year end management has accrued \$95,662 (2007 - \$93,352) as an estimate of the expected payable.

REGIONAL DISTRICT OF BULKLEY-NECHAKO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

9. 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 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 are defined. The plan has about 140,000 active members and approximately 51,000 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, 2006, indicated a funding surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the funding surplus to individual employers. The Regional District of Bulkley-Nechako paid \$119,391 (2007 - \$90,581) for employee contributions to the plan in fiscal 2008.

10. UNFUNDED LIABILITY FOR LANDFILL CLOSURE COSTS

Accounts payable and accruals include \$ 2.75 million of liabilities at December 31, 2008 (\$2.7 million at December 31, 2007) 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 \$635,063 as at December 31, 2008.

11. 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.

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

For the year ended December 31, 2008

12. 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 designated public transit, community energy, water, wastewater, solid waste and capacity buildings projects, as specified in the funding agreements.

| | 2008 | 2007 |
|-----------------------------------|---------------------------------|--------------------------|
| Opening balance | <u>\$ 649,367</u> | <u>\$ 566,416</u> |
| Add: Amounts received in the year | 422,386 | 376,608 |
| Interest earned | <u>24,990</u> | <u>25,858</u> |
| | <u>447,376</u> | <u>402,466</u> |
| Less: Amounts spent in the year | <u>(120,408)</u> | <u>(319,515)</u> |
| | <u><u>\$ 976,335</u></u> | <u><u>\$ 649,367</u></u> |

13. SHORT TERM FINANCING

Short term financing is provided by the Municipal Finance Authority. The balance of \$52,778 consists of temporary financing short term capital financing which will be repaid over the remaining two years of its five year term.

14. 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 3.0% (2007 – 4.0%).

15. CHANGE IN ACCOUNTING POLICY

In anticipation of the full adoption of Public Sector Accounting and Auditing Board Guideline 3150 for 2009, the Regional District is recording non-financial assets in the consolidated statement of financial position.

The prior year's comparative figures have been restated to conform to the current year's presentation.

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

For the year ended December 31, 2008

| | <u>2008</u> | | <u>2007</u> |
|--|------------------------------|---------------------|---------------------|
| | <u>Budget</u> (unaudited) | <u>Actual</u> | <u>Actual</u> |
| Staff remuneration and benefits | \$ 2,272,260 | \$ 2,186,281 | \$ 1,850,431 |
| Purchased services and supplies | 4,579,268 | 2,423,527 | 2,365,362 |
| Payments to Societies | 1,446,253 | 1,446,253 | 1,720,925 |
| Municipal debt payments | 507,541 | 1,014,152 | 1,064,057 |
| Payments to Municipalities | 662,364 | 662,364 | 689,775 |
| Directors' remuneration | 252,624 | 252,239 | 186,774 |
| Interest on debentures | 145,441 | 154,921 | 135,379 |
| Insurance and permits | 165,433 | 132,660 | 100,819 |
| Directors' travel and expenses | 140,002 | 116,291 | 92,154 |
| Electoral Area Grants in Aid | 203,616 | 62,676 | 105,748 |
| Staff travel, upgrading and conference | 74,100 | 57,483 | 89,258 |
| Interest | 31,140 | 30,761 | 23,192 |
| Memberships and dues | 35,283 | 30,749 | 28,726 |
| Elections and referendum | 52,726 | 18,338 | 8,376 |
| Debenture issue | 11,970 | 11,848 | - |
| Volunteer benefits | 3,950 | 3,768 | 3,501 |
| Treaty Advisory Committee | 25,000 | - | 15,000 |
| | <u>\$ 10,608,971</u> | <u>\$ 8,604,311</u> | <u>\$ 8,479,477</u> |

RHN SCHMITZ de GRACE

See notes to the consolidated financial statements. Chartered Accountants

REGIONAL DISTRICT OF BULKLEY-NECHAKO

SCHEDULE OF CONTINUITY OF RESERVE FUNDS

For the year ended December 31, 2008

| | <u>2008</u> | <u>2007</u> |
|---|----------------------------|----------------------------|
| BALANCE AT BEGINNING OF THE YEAR | \$ 1,897,847 | \$ 1,371,625 |
| Contribution to funds | 731,609 | 808,688 |
| Interest earned on funds | 73,292 | 69,995 |
| Withdrawals from funds to operations | <u>(170,348)</u> | <u>(352,461)</u> |
| BALANCE AT END OF THE YEAR | <u>\$ 2,532,400</u> | <u>\$ 1,897,847</u> |
| REPRESENTED BY THE FOLLOWING RESERVE FUNDS | | |
| Administrative equipment | \$ 43,029 | \$ 31,770 |
| Administration/Planning/Development Services Vehicle | 43,867 | 18,074 |
| Building Inspection vehicle | 42,438 | 29,250 |
| Bulkley Valley Pool Capital Reserve | 36,986 | 35,689 |
| Burns Lake Arena | 61,218 | 53,226 |
| Burns Lake Rural Fire Protection | 44 | 42 |
| Election | 4,889 | 18,710 |
| Emergency Services vehicle | - | 11,824 |
| Environmental Services vehicle | 24,193 | 23,345 |
| Fort Fraser Sewer Capital | 13,597 | 8,245 |
| Fort Fraser Rural Fire Protection | 14,199 | 11,605 |
| Fort Fraser Water Capital | 29,476 | 8,943 |
| Fort St. James Rural Fire Protection | 86,339 | 49,791 |
| Fuel tax capital projects | 976,335 | 649,367 |
| Glacier Gulch Water Diversion | 2,032 | 1,960 |
| Houston Rural Fire Protection | 5,617 | 5,420 |
| Insurance | 39,480 | 30,357 |
| Landfill Cell Development | 250,914 | 155,267 |
| Landfill closure costs | 635,071 | 541,665 |
| Landfill post closure and monitoring costs | 86,058 | 63,541 |
| Luck Bay Capital | 6,386 | 3,889 |
| Planning plotter | 8,363 | 4,170 |
| Smithers Rural Fire Protection | 37,025 | 31,827 |
| Southside Capital | 7,928 | 6,481 |
| Telkwa Rural Fire Protection | 994 | 32,566 |
| Transfer stations | - | - |
| Vanderhoof Pool | 9,016 | 8,700 |
| Vanderhoof Rural Fire Protection | 27,559 | 24,155 |
| Weed Control vehicle | <u>39,347</u> | <u>37,968</u> |
| | <u>\$ 2,532,400</u> | <u>\$ 1,897,847</u> |

See notes to the consolidated financial statements.

RHN SCHMITZ de GRACE
Chartered Accountants