

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

December 31, 2009



2009 Annual Report

March 31, 2010

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, 2009 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. In accordance with the new requirements, tangible capital assets are capitalized and amortized over their expected useful lives. Annual amortization is shown as a current expense and the assets are shown on the balance sheet at their cost less accumulated amortization.

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.

Southside Transfer Station

Upgrades were completed at the Southside Transfer Station including placement of a new attendant's office and as well as the placement of a S185 Bobcat permanently at the site for snow removal and site maintenance activities.

Fort St. James Transfer Station

Multiple projects were completed at this site including the upgrading of the wood collection area. Also, in preparation for final closure works which are to occur in 2010, the metal collection area was relocated and historic tire piles were cleaned up with the majority of the tires recycled.

Waste Reduction

A number of waste reduction initiatives were investigated and/or implemented in 2009. The possible use of shredded cardboard as an animal bedding product was extensively researched including design and cost estimates for a manufacturing facility and collection network.



A region wide funding program was developed and initiated in 2009 to support the further development of waste reduction initiatives across the RDBN. In 2009, two non-profit community groups took advantage of the funding opportunity, the Smithers and Area Recycling Society and the Nechako Healthy Community Alliance (Vanderhoof). Other groups in Fort St. James, Fraser Lake, Houston and Telkwa were actively investigating opportunities in their respective areas however projects were not able to be started in 2009. Funding has been carried over to 2010 and it is anticipated that additional programs will continue to be initiated.

A metal recycling contract was issued in 2009, with the RDBN receiving revenue for recycled metal products. Metal recycling activities continued into the early part of 2010 with a total of 2,377 metric tonnes recycled from RDBN solid waste management facilities during the previous two years.

Environmental Planning

In 2009, the RDBN continued environmental planning activities in an effort to identify possible future strategies for the economically and environmentally sustainable management of municipal solid waste.

In March 2009 a Stage 1 Review of the RDBN Solid Waste Management Plan was completed by an independent consultant. The Stage 1 Review identified areas of the Solid Waste Management Plan that had been successfully implemented by the RDBN (including construction of transfer station facilities), evaluated implemented waste reduction initiatives, as well as identified areas of the Plan that had not been implemented to date (such as region wide tipping fees for municipal solid waste disposal). The continuance of the Plan review process will be dependent on the results obtained from the Waste-to-Energy, Job Creation to Sustainable Communities Feasibility Study.

Work also continued on the Waste-to-Energy, Job Creation to Sustainable Communities Feasibility Study. In 2008 the RDBN was successful in obtaining grant funding for completion of the 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 Study is to determine if an economically and environmentally sustainable waste-to-energy technology 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 Study also examines the use of the excess heat generated at such a facility to support the operation of a large scale greenhouse as well as a recommended approach for separating and composting organics from the waste stream to produce marketable soil products.



In 2009, a Request for Expressions of Interest (EOI) was issued with the purpose of obtaining submissions of qualifications from parties interested in utilizing solid waste generated within the RDBN as fuel to produce electrical energy, heat, steam, liquid bio-fuel, or exportable (pelletized) refuse derived fuel (RDF). The project will be completed shortly.

Planning Services

Long Range Planning

In 2009 the Planning Department completed the Electoral Area “D” (Fraser Lake Rural) Official Community Plan review and the bylaw was adopted by the Regional District Board.

Extensive consultation was held for the Electoral Area “B” (Burns Lake Rural) and Francois Lake (North Shore) Official Community Plan. The bylaw was given third reading and is currently awaiting approval by the Minister of Community and Rural Development.

The Electoral Area “F” (Fort St. James Rural) Official Community Plan bylaw was given first and second reading followed by public consultation. Third reading and adoption is scheduled for 2010.

A review of the Electoral Area “C” (Fort St. James Rural) Official Community Plan was initiated in 2009.

In 2009 the Planning Department, in association with the Strategic Development Department, worked with a consultant to undertake a region-wide industrial land use inventory study for all Electoral Areas.

A comprehensive “Shoreline Development Strategy” was completed to help guide the Regional District’s approach to the regulation of waterfront development.

Current Planning

In 2009, in addition to responding to public inquiries, various land use referrals, and the processing of land use applications, the following initiatives were undertaken:

- Developed brochures to provide information to the public on the following:
 - Responsible Waterfront Development
 - Archaeological Sites Development
 - Temporary Commercial and Industrial Use Permit
- Conducted workshops for all Electoral Area Advisory Planning Commission members and Directors.
- Reviewed 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.



- Continued a review of the “Regional District of Bulkley-Nechako Zoning Bylaw No. 700, 1993,” to be completed in early 2010.
- Developed a policy for approval of the conversion of individually owned properties to properties with shared common land, where the land contains a previously occupied building.

Geographic Information Systems (GIS)

In 2009, in addition to responding to civic address inquiries & various mapping requests, software and hardware were purchased to help provide public access to digital mapping and property data through the internet.

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 addition, Building Inspection services are provided under contract to the District of Houston, the Village of Granisle, the Village of Burns Lake, and the Village of Fraser Lake.

Special Projects

A comprehensive inventory of the location and maintenance status of recreation sites previously maintained by the Ministry of Forests, and other recreation amenities in the region was developed for future consideration.

Community Services

Burns Lake Arena

The Regional District held a referendum to determine if taxpayers would agree to a expansion of the boundaries of the service and an increase in the annual tax limit. The referendum was defeated.

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. 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 is significant, the Regional District will be considering a smaller boundary expansion area in 2010.

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 included within the service area boundaries at their request.



Regional Strategic Development

In 2009 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 Communications Meetings to ensure communication with Economic Development Officers in the Region;
- Created marketing material for a Tradeshow display banner (mining) and an advertisement for Beautiful BC magazine;
- Attended two industry tradeshows – Minerals Roundup and Minerals North;
- Assisted with the Tom Forsyth Memorial Arena Building Canada Business Plan and Funding Applications;
- Began the Mining Skills Development Project working with Colleges, School Districts, and Mining and Exploration Companies to identify mining training gaps and design and implement training programs in our Region;
- Created a Mining Web Portal, a “One-Stop” website to provide information, attract and accelerate mining and exploration projects in the Region and provide information on employment opportunities to local residents, and service and supplier companies in relation to mining and exploration projects in the Region;
- Created a Regional Tourism Brochure to market communities and community events in relation to the 2010 Olympics; and
- Began a Tourism Destination Profile & Marketing Plan Project by compiling regional information concerning tourism attractions activities and amenities across the Region and identifying ways to combine them to create a marketable tourism experience.

Emergency Management Program

The new Emergency Program Coordinator started in March 2009 and spent a significant portion of the year attending courses to learn the basic premises of emergency management and reviewing historical information to develop an understanding of the RDBN Emergency Management Program.



There were two major events that activated the RDBN Emergency Operations Centre. In April, there was an Ice Jam/Flooding Event in Area "A" that required evacuation of residents in the Ebenezer Flats area near Smithers. In August, there was a potential Interface Fire Event in Area "G" and Area "E" that required the evacuation of campers in the Morice River area and an evacuation alert to residents in north east François Lake.

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, 2009, there were municipal debentures outstanding in the amount of \$6,409,607.

For its own account, the Regional District entered into interim financing for \$180,000 pending the issue of debentures for Solid Waste Management capital expenditures. Debenture repayments in 2009 of \$207,579 and actuarial earnings of \$66,937 have reduced the outstanding debt for all Regional District services to \$1,590,044 at December 31, 2009.

Debt servicing costs (principal plus interest) for the Regional District as a whole represented 5.2% of tax revenues in 2009.

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 2009, contributions of \$1,774,910 were made, \$139,665 was withdrawn for approved expenditures and interest of \$29,373 was earned, bringing the balance at December 31, 2009 to \$4,197,020.

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 \$2,445,596 at December 31, 2009, representing an increase of \$436,023 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.

Hans Berndorff, C.A.

RHN SCHMITZ de GRACE

Chartered Accountants

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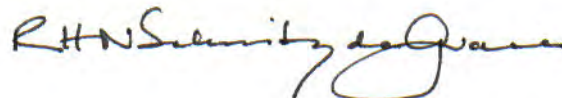
AUDITORS' REPORT

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, 2009 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, 2009 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 16, 2010

Chartered Accountants

REGIONAL DISTRICT OF BULKLEY-NECHAKO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2009

	2009	2008
		(Note 13)
FINANCIAL ASSETS		
Cash and temporary investments	\$ 6,652,616	\$ 4,541,973
Accounts receivable	211,948	193,198
Grants receivable	53,371	98,024
MFA Debt Reserve Fund (Note 2)	183,164	183,833
Due from Municipalities for debt (Note 3)	6,409,607	6,403,331
	13,510,706	11,420,359
LIABILITIES		
Short-term financing (Note 11)	180,055	52,778
Unearned grants	463,237	61,107
Accounts payable and accruals	3,522,987	3,385,664
Capital lease obligations (Note 6)	1,190	4,074
Debentures issued for the Regional District (Note 5)	1,408,855	1,680,486
Debentures issued for Municipalities (Note 3)	6,409,607	6,403,331
MFA Debt Reserve Fund (Note 2)	183,164	183,833
	12,169,095	11,771,273
NET FINANCIAL ASSETS	1,341,611	(350,914)
NON FINANCIAL ASSETS		
Property, Plant, Equipment and Infrastructure, at cost (Note 1, 13)	13,928,674	14,272,497
Prepaid expenses	39,602	51,158
	13,968,276	14,323,655
ACCUMULATED SURPLUS	\$ 15,309,887	\$ 13,972,741

CONTINGENCIES (Note 7)

Approved by the Board:

_____ Chairperson

_____ Financial Administrator

REGIONAL DISTRICT OF BULKLEY-NECHAKO
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2009

	2009		2008
	<u>Budget</u> (unaudited)	<u>Actual</u>	<u>Actual</u> (Note 13)
REVENUE			
Property tax requisition			
Municipal	\$ 3,856,232	\$ 3,857,294	\$ 3,171,232
Electoral Area	2,955,590	2,955,600	4,121,198
	6,811,822	6,812,894	7,292,430
Municipal debt payments (Note 3)	907,205	871,715	1,014,152
Federal grants - conditional	1,049,842	947,504	505,746
Fees and permits	222,256	330,330	401,885
Other grants - conditional	318,670	211,379	231,009
Interest	40,900	46,307	138,155
Provincial grants - conditional	428,750	106,389	93,325
Grants in lieu of taxes	715,149	710,876	78,667
Provincial grants - unconditional	110,000	223,534	70,000
Debt Sinking Fund actuarial earnings (Note 4)	-	66,937	56,729
Municipal cost sharing	108,000	120,500	46,162
Donations	34,250	74,250	41,775
Sundry	69,789	73,355	37,186
Administration recoveries	8,460	7,958	6,644
Debt Reserve Fund earnings (Note 2)	-	1,066	1,632
Emergency expenditure recoveries	-	47,290	-
Gain on disposal of tangible capital assets	-	31,781	-
	10,825,093	10,684,065	10,015,497
EXPENDITURES			
Environmental Services	3,650,565	2,969,636	2,941,926
Government - General, Rural and Local Commission	2,700,554	2,155,343	2,104,266
Recreation and Culture	1,647,479	1,606,854	1,556,626
Municipal debt payments (Note 3)	907,206	881,706	1,014,152
Fire Protection and Emergency Response	839,221	695,443	617,715
Building Inspection, Building Numbering, Planning and Development Services	935,351	839,900	734,236
Street Lighting and Transportation	116,560	103,732	100,018
Sewer and water	132,421	94,305	94,755
	10,929,357	9,346,919	9,163,694
EXCESS (EXPENDITURES) REVENUE	(104,264)	1,337,146	851,803
SURPLUS AT BEGINNING OF THE YEAR	13,972,741	13,972,741	16,081,216
CHANGE IN ACCOUNTING FOR TANGIBLE CAPITAL ASSETS (Note 13)	-	-	(2,960,278)
ACCUMULATED SURPLUS, BEGINNING OF YEAR, RESTATED	13,972,741	13,972,741	13,120,938
SURPLUS AT END OF THE YEAR	<u>\$ 13,868,477</u>	<u>\$ 15,309,887</u>	<u>\$ 13,972,741</u>
Comprised of			
Operating Reserves		\$ (1,203,994)	\$ (1,145,976)
Capital		4,197,020	2,532,400
Non-Financial assets		(1,651,415)	(1,737,338)
		<u>13,968,276</u>	<u>14,323,655</u>
		<u>\$ 15,309,887</u>	<u>\$ 13,972,741</u>

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, 2009

	2009	2008 (Note 13)
OPERATING ACTIVITIES		
Excess (Expenditures) Revenue	\$ 1,337,146	\$ 851,803
Add: Non-cash items		
Amortization on tangible capital assets	551,824	559,383
Gain on sale of tangible capital assets	(31,781)	-
Changes in non-cash working capital:		
Accounts receivable	(18,750)	235,450
Grants receivable	44,653	227,895
Accounts payable and accruals	137,281	(127,805)
Unearned grants	402,130	32,525
Prepaid expenses	11,556	(11,122)
	2,434,059	1,768,129
FINANCING ACTIVITIES		
Proceeds from short-term financing	180,000	-
Repayment of short-term financing	(52,680)	(241,242)
Debentures issued	-	677,000
Actuarial earnings on Debt Sinking Fund	(66,937)	(56,729)
Debt repayments	(204,693)	(148,304)
Capital lease repayments	(2,884)	(2,793)
	(147,194)	227,932
INVESTING ACTIVITIES		
Purchase of Property, Plant, Equipment and Infrastructure	(247,097)	(348,453)
Disposals during the year	70,875	76,827
	(176,222)	(271,626)
INCREASE (DECREASE) DURING THE YEAR	2,110,643	1,724,435
CASH AND TEMPORARY INVESTMENTS AT BEGINNING OF THE YEAR	4,541,973	2,817,538
CASH AND TEMPORARY INVESTMENTS AT END OF THE YEAR	\$ 6,652,616	\$ 4,541,973

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

For the year ended December 31, 2009

	<u>2009</u>		<u>2008</u>
	<u>Budget</u> (unaudited)	<u>Actual</u>	<u>Actual</u> (Note 13)
SURPLUS FOR THE YEAR	\$ (104,264)	\$ 1,337,146	\$ 851,803
Acquisition of tangible capital assets	(247,094)	(247,094)	(348,483)
(Gain) loss on sale of tangible capital assets	-	(31,781)	-
Proceeds on sale of tangible capital assets	-	70,875	76,827
Amortization of tangible capital assets	550,000	551,824	559,383
	<u>198,642</u>	<u>1,680,970</u>	<u>1,139,530</u>
Net acquisition (consumption) of prepaid expenses	<u>-</u>	<u>11,555</u>	<u>(11,092)</u>
CHANGES IN NET FINANCIAL ASSETS/ NET DEBT	198,642	1,692,525	1,128,438
NET (DEBT) AT BEGINNING OF THE YEAR	<u>(350,914)</u>	<u>(350,914)</u>	<u>(1,479,352)</u>
NET FINANCIAL ASSETS (NET DEBT) AT END OF THE YEAR	<u>\$ (152,272)</u>	<u>\$ 1,341,611</u>	<u>\$ (350,914)</u>

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

For the year ended December 31, 2009

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 2009 final budget, adopted in March 2009.

b) Basis of Accounting

A full accrual basis of accounting is used.

c) Capital Assets

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
Utility and fire protection 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, 2009

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 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.

REGIONAL DISTRICT OF BULKLEY-NECHAKO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

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			2009	2008
Environmental Services	1999	\$ 600,000	2009	5.49%	\$ -	\$ 74,003
Environmental Services	2002	438,000	2012	5.37%	154,471	201,137
Environmental Services	2008	677,000	2018	4.65%	620,612	677,000
Bulkley Valley Pool and Recreation Centre	2002	150,000	2012	5.37%	52,901	68,883
Burns Lake Rural Fire Protection	2000	55,000	2010	6.36%	6,784	13,244
Smithers Rural Fire Protection	1999	88,800	2009	5.99%	-	10,952
Burns Lake Arena	1999	500,000	2014	6.15%	208,556	244,502
Burns Lake Arena	1999	200,000	2019	6.20%	123,922	133,306
Fort Fraser Sewer	2001	30,000	2016	5.93%	16,724	18,680
Fort Fraser Sewer	2002	10,000	2012	5.37%	3,527	4,592
Fort Fraser Fire	2004	147,140	2019	5.30%	109,462	117,750
Luck Bay Fire	2006	125,000	2026	4.67%	111,896	116,437
		<u>\$ 3,020,940</u>			<u>\$ 1,408,855</u>	<u>\$ 1,680,486</u>

Scheduled principal, interest, total debt payments, and actuarial earnings projected on the sinking funds over the next 4 years are:

	Principal Payments	Interest Payments	Total Payments	Actuarial Earnings
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

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

For the year ended December 31, 2009

6. CAPITAL LEASE OBLIGATIONS

	2009	2008
MUNICIPAL FINANCE AUTHORITY, repayable in monthly instalments of \$283, secured by a charge on specific equipment.	\$ 1,190	\$ 4,074

7. 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:

	2009	2008
Demand Notes Outstanding:		
Borrowing on behalf of member Municipalities	\$ 420,265	\$ 369,729
Borrowing for Regional District purposes	114,338	154,309
	\$ 534,603	\$ 524,038

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 \$333,871 at December 31, 2009 (2008 - \$319,983). As at the year end management has accrued \$122,627 (2008 - \$95,662) 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 \$123,154 at December 31, 2009. As at year end, management has accrued \$84,741 as an estimate of the expected payable.

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

For the year ended December 31, 2009

8. 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 provided are defined. The plan has about 158,000 active members and approximately 57,000 retired members. Active members include approximately 33,000 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 \$ 138,230 (2008- \$119,391) for employer contributions to the plan in fiscal 2009.

9. UNFUNDED LIABILITY FOR LANDFILL CLOSURE COSTS

Accounts payable and accruals include \$ 2.73 million of liabilities at December 31, 2009 (\$2.75 million at December 31, 2008) 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 \$1,349,875 as at December 31, 2009.

10. 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, 2009

11. SHORT TERM FINANCING

Short term financing is provided by the Municipal Finance Authority. The balance of \$180,055 (2008 - \$52,778) consists of temporary financing short term capital financing which will be repaid over the remaining two years of its five year term.

12. 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% (2008 – 3.0%).

13. PRIOR PERIOD RESTATEMENT

Effective January 1, 2009, the Regional District of Bulkley-Nechako changed its method of accounting for tangible capital assets according to the recommendations of the CICA Public Sector Accounting Board which came into effect on that date. According to the new requirements, tangible capital assets are recognized as non-financial assets on the Statement of Financial Position and amortized over their economic lives. Previously, these assets were recorded at historical cost without amortization. The change has been applied retroactively.

The change in reporting has resulted in the following changes to the 2008 comparative amounts:

<u>Statement of Operations</u>	Reported in 2009 for 2008	Reported in 2008 for 2008
Amortization	\$ 559,383	\$ -
Decrease in Surplus	(559,383)	-
 <u>Statement of Financial Position</u>		
Tangible Capital Assets	14,272,497	17,792,158
 <u>Beginning balance of Accumulated Surplus</u>		
Accumulated Surplus, beginning of year, as previously reported	16,081,216	16,081,216
Change in accounting for Tangible Capital Assets	(2,960,278)	
Accumulated Surplus, beginning of year, restated	13,120,938	16,081,216

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

For the year ended December 31, 2009

	2009		2008
	<u>Budget</u> (unaudited)	<u>Actual</u>	<u>Actual</u>
Staff remuneration and benefits	\$ 2,355,063	\$ 2,428,235	\$ 2,186,281
Purchased services and supplies	3,663,691	2,456,531	2,423,527
Payments to Societies	1,509,367	1,509,366	1,446,253
Municipal debt payments	907,206	881,706	1,014,152
Payments to Municipalities	760,072	640,606	662,364
Directors' remuneration	283,365	253,230	252,239
Interest on debentures	148,030	148,205	154,921
Insurance and permits	134,875	131,861	132,660
Directors' travel and expenses	126,915	109,061	116,291
Electoral Area Grants in Aid	289,304	125,792	62,676
Staff travel, upgrading and conference	77,600	45,940	57,483
Interest	18,500	(508)	30,761
Memberships and dues	34,493	31,035	30,749
Elections and referendum	21,592	15,295	18,338
Debenture issue	5,425	-	11,848
Volunteer benefits	3,859	3,739	3,768
Treaty Advisory Committee	40,000	15,000	-
Amortization expense	550,000	551,825	559,383
	<u>\$ 10,929,357</u>	<u>\$ 9,346,919</u>	<u>\$ 9,163,694</u>

REGIONAL DISTRICT OF BULKLEY-NECHAKO

SCHEDULE OF CONTINUITY OF RESERVE FUNDS

For the year ended December 31, 2009

	<u>2009</u>	<u>2008</u>
BALANCE AT BEGINNING OF THE YEAR	\$ 2,532,400	\$ 1,897,847
Contribution to funds	1,774,910	731,609
Interest earned on funds	29,374	73,292
Withdrawals from funds to operations	<u>(139,664)</u>	<u>(170,348)</u>
BALANCE AT END OF THE YEAR	<u>\$ 4,197,020</u>	<u>\$ 2,532,400</u>
REPRESENTED BY THE FOLLOWING RESERVE FUNDS		
Administrative equipment	\$ 53,505	\$ 43,029
Administration/Planning/Development Services Vehicle	57,106	43,867
Building Inspection vehicle	54,910	42,438
Bulkley Valley Pool Capital Reserve	37,383	36,986
Burns Lake Arena	50,170	61,218
Burns Lake Rural Fire Protection	45	44
Election	14,956	4,889
Environmental Services vehicle	44,481	24,193
Fort Fraser Sewer Capital	13,743	13,597
Fort Fraser Rural Fire Protection	16,504	14,199
Fort Fraser Water Capital	46,316	29,476
Fort St. James Rural Fire Protection	87,266	86,339
Fuel tax capital projects	1,716,631	976,335
Glacier Gulch Water Diversion	2,053	2,032
Houston Rural Fire Protection	5,677	5,617
Insurance	46,980	39,480
Landfill Cell Development	342,809	250,914
Landfill closure costs	1,349,875	635,071
Landfill post closure and monitoring costs	107,009	86,058
Luck Bay Capital	6,454	6,386
Planning plotter	12,459	8,363
Smithers Rural Fire Protection	41,428	37,025
Southside Capital	9,015	7,928
Telkwa Rural Fire Protection	1,004	994
Vanderhoof Pool	9,113	9,016
Vanderhoof Rural Fire Protection	30,358	27,559
Weed Control vehicle	<u>39,770</u>	<u>39,347</u>
	<u>\$ 4,197,020</u>	<u>\$ 2,532,400</u>

Regional District of Bulkley-Nechako
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2009

	Engineering Structures							2009 Total	2008 Total (restated)
	Land	Building	Equipment / Vehicles	Water	Sewer	Landfills	Transfer Stations		
COST									
Opening Balance (restated)	\$ 274,788	\$ 6,434,960	\$ 1,907,983	\$ 1,106,449	\$ 718,501	\$ 3,472,291	\$ 4,538,933	\$ 18,453,905	\$ 17,993,880
Add: Additions	-	52,947	114,939	3,358	-	-	75,853	247,097	460,025
Less: Disposals	13,497	186,422	56,925	-	-	-	-	256,844	-
Less: Write-downs	-	-	-	-	-	-	-	-	-
Closing 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
ACCUMULATED AMORTIZATION									
Opening Balance	-	1,472,807	679,388	480,429	242,251	600,634	705,899	4,181,408	3,622,025
Add: Amortization	-	128,170	173,022	28,045	15,196	100,780	106,611	551,824	559,383
Less: Acc. Amortization on Disposals	-	180,208	37,540	-	-	-	-	217,748	-
Closing Balance	-	1,420,769	814,870	508,474	257,447	701,414	812,510	4,515,484	4,181,409
Net Book Value for year ended December 31, 2009	<u>\$ 261,291</u>	<u>\$ 4,880,716</u>	<u>\$ 1,151,127</u>	<u>\$ 601,333</u>	<u>\$ 461,054</u>	<u>\$ 2,770,877</u>	<u>\$ 3,802,276</u>	<u>\$ 13,928,674</u>	
Net Book Value, year ended December 31, 2008	<u>\$ 274,788</u>	<u>\$ 4,962,153</u>	<u>\$ 1,228,595</u>	<u>\$ 626,020</u>	<u>\$ 476,250</u>	<u>\$ 2,871,657</u>	<u>\$ 3,833,034</u>		<u>\$ 14,272,497</u>