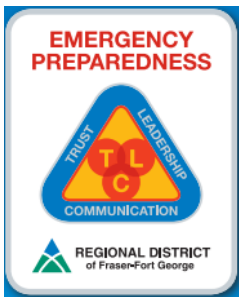




**REGIONAL DISTRICT
of Fraser-Fort George**



A GOLDEN RAVEN
EXPERIENCE



2016

*Consolidated
Financial Statements*



Text with 9-1-1

Text with 9-1-1 is for the Deaf, Deaf-Blind,
Hard-of-Hearing and Speech-Impaired



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REPORT FROM THE GENERAL MANAGER OF FINANCIAL SERVICES

April 10, 2017

TO: Chairperson Art Kaehn and the Directors
of the Regional District of Fraser-Fort George

The financial report and statements for the Regional District of Fraser-Fort George (“Regional District”) for the year ended December 31, 2016, are submitted pursuant to the requirements of the *Local Government Act*.

The enclosed information includes the Consolidated Financial Statements of the Regional District along with supplementary information in schedule format. The consolidated statements have been prepared in accordance with the Public Sector Accounting Board (PSAB) recommendations for statement presentation. The objective of the statements is to fairly present the financial position of the Regional District. The firm of KPMG LLP is responsible to report to the Board with the results of their audit. Their audit letter, with an unqualified opinion, is included in these statements.

HIGHLIGHTS OF THE YEAR

The Regional District delivers eighty-nine (89) services ranging from small local services such as a series of street lights in a rural area to large and complex region wide services such as Solid Waste Management and 9-1-1 Emergency Communications. These services are delivered through a number of business units within the Regional District: Corporate Services, Community Services, Development Services, Environmental Services and Financial Services. The following is an overview of the focus and accomplishments of these business units.

Corporate Services

Corporate Services manages the Regional District’s corporate records (including FOI requests), provides support for Board operations and directors, and processes a large variety of requests for information and assistance from staff and the general public.

In 2016, Corporate Services managed a number of processes on behalf of the Regional District, including:

- ◆ carrying out a referendum for the new Robson Valley Exploration and Learning Service
- ◆ liaising with the Auditor General for Local Government to finalize the audit report for the operational procurement audit theme
- ◆ continued relationship building with Lheidli T’enneh First Nation, McLeod Lake Indian Band and the Simpcw First Nation
- ◆ participated in a community dialogue about reconciliation and First Nations and engaged all staff in a dialogue about what reconciliation may mean for the Regional District
- ◆ coordinated the Regional District’s participation in an inaugural staff to staff forum between the City of Prince George, the Lheidli T’enneh and the Regional District



- ◆ coordinated the Regional District's participation in a Community to Community forum between the City of Prince George, the Lheidli T'enneh and the Regional District
- ◆ continuation of the Regional Report; a quarterly external newsletter highlighting recent initiatives and projects underway within the Regional District
- ◆ legislative support in the preparation of bylaws
- ◆ oversight in policy and contract development
- ◆ ongoing support for Community Consultation Committees
- ◆ continued implementation of the Regional District's Communications Plan
- ◆ development of a strategy for implementation of the Regional District's Corporate Climate Change Action Plan
- ◆ working in partnership with the Villages of McBride and Valemount to implement strategies from the Robson-Canoe Valley Economic Opportunities Plan; and
- ◆ being a resource to our administrative colleagues in our smaller member municipalities in sharing our knowledge and best practices in the operation and delivery of local government services.

Community Services

Community Services Administration assists community groups in the development and ongoing service delivery for the long-term sustainability for their community in bringing services the community supports, through the provision of public safety services, as well as, the administration of the Community and Recreation Grant-in-Aid programs.

In 2016, Community Services Administration's focus was on:

- ◆ continuation of land approval processes for Tete Jaune Community Cemetery property;
- ◆ investigating external grants for Willow River Sewer and Water Project;
- ◆ investigating the feasibility of establishing a curling rink service in Valemount;
- ◆ assisting with grant applications and associated project management;
- ◆ organizing a successful community association workshop;
- ◆ assisting with the successful referendum for the establishment of the Robson Valley Exploration and Learning Service and purchase of a new building;
- ◆ working with consultants investigating the role and effect of the Tabor Lake Weir and Weed Harvesting on Tabor Lake water quality;
- ◆ applying for groundwater licences for Regional District owned properties in concurrence with the Province's new *Water Sustainability Act* regulations; and
- ◆ negotiating property use agreements with Regional District community groups.



Grants

Each year, the Regional District provides community grants to organizations in the electoral areas that will benefit the residents. In 2016, \$709,510 was provided through 120 Community Grants-in-Aid requests, and \$62,930 through 22 Recreation Grants-in-Aid requests to various organizations within the Regional District.

9-1-1 Emergency Response

The 9-1-1 Emergency Response service budget supports the administration and operation of the primary 9-1-1 call answer function and the centralized fire/rescue dispatch communication system. E-Comm 9-1-1 and the City of Prince George provide these operational services by way of agreements with the Regional District. The 2016 budget for this service was \$3,511,820.

The 9-1-1 service area covers 290,310 square kilometres representing 30.7% of the Province of British Columbia.

The Regional District maintains and operates an extensive fire/rescue radio dispatch and communications system that serves 23 fire/rescue agencies in the Regional District of Fraser-Fort George and North Cariboo areas. There are an additional 56 fire/rescue agencies dispatched over a telephone interconnect network for a total of 79 agencies being dispatched from the Fire Operations Communications Centre (FOCC).

In 2016, Public Safety Administration's focus was on:

- ◆ completing the installation and upgrading of the new backbone radio communications system;
- ◆ providing expertise to Regional District volunteer fire services on radio specifications, requirements, and programming;
- ◆ ensuring the continued operation of the fire/rescue agencies' field radio system and the dispatch radio console at the FOCC;
- ◆ providing expertise to radio contractors working on the field radio systems in the Cariboo, Kitimat-Stikine and Bulkley-Nechako Regional Districts;
- ◆ rolling out Text to 9-1-1 to the Deaf, Hard-of-Hearing and Speech Impaired community;
- ◆ installing a new uninterruptible power supply (UPS) in the FOCC; and
- ◆ reviewing and updating Computer Aided Dispatch incident type programming.

Fire Services Coordinator

The Fire Services Coordinator oversees the Regional District's fire and rescue services to help ensure high service levels; that the standards are implemented, followed, and maintained; and that required training and certification is readily available and affordable.

In 2016, focus was on:

- ◆ diesel exhaust exposure study of volunteer fire halls;
- ◆ purchase of new frontline engines for McBride District Volunteer Fire Department and Pilot Mountain Volunteer Fire Department;
- ◆ ordering of new frontline engine for Pineview Volunteer Fire Department and new frontline water tender apparatus for Ness Lake Volunteer Fire Department;
- ◆ selection of replacement First Responder Program Training Provider;
- ◆ review and reporting on impacts of new *Fire Safety Act* on the Regional District; and
- ◆ coordination of local training opportunities to assist volunteer fire departments achieve compliance with new legislated training requirements contained within the Playbook.

Emergency Preparedness Service

The Emergency Response and Recovery Plan was adopted by the Board in January 2006. In support of the plan, over 50 local community emergency plans were completed to accommodate the specific needs of individual communities and their residents.

Currently, there are 28 staff members trained to work in the Emergency Operations Centre (EOC). Staff provide evacuee support services, with 6 Emergency Social Services (ESS) volunteers.

During 2016, the Emergency Management Program activated for:

- ◆ the provision of evacuee support to three families impacted by residential structural fires; and
- ◆ coordination of BC Wildfire's recommendation for evacuation alert in response to the Norman Lake Fire on August 19 – 20, 2016.

In 2016, the program focus was on:

- ◆ revision of the Regional District's Emergency Management Program and Plan;
- ◆ developing strategic and operational emergency management response capabilities;
- ◆ enhancing preparedness contact with communities and stakeholders; and
- ◆ investing in ongoing staff training and systems development.

Development Services

Land Use Planning

The Regional District's Land Use Service is a region wide service fulfilling the obligations of land use planning under Part 14 of the *Local Government Act*. Planning is an integral part of Development Services which also includes civic addressing, building inspection and bylaw compliance. Development Services works closely with the Economic Development Service, Community Services, the Geographic Information System and outside agencies, such as the Northern Health Authority; the Ministries of Transportation and Infrastructure, Community, Sport

and Cultural Development; Environment; Forest, Lands and Natural Resource Operations; and the Provincial Agricultural Land Commission in order to provide efficient public service.

In 2016, the focus of Land Use Planning was on:

- ◆ Intake of 80 land use applications (Agricultural Land Reserve, Zoning Bylaw, Official Community Plan, Temporary Use Permit, Development Variance Permit and Development Permit).
- ◆ Provide referral responses to provincial ministries, such as: Forests, Lands and Natural Resource Operations and Ministry of Transportation and Infrastructure for various proposed land use and development.
- ◆ Undertook the “Home Suite Home” initiative that saw a major amendment to Zoning Bylaw No. 2892 to allow Secondary Suites as an accessory use generally throughout the Regional District.
- ◆ Work with the Mountain Resort Branch of the Provincial Government and the Village of Valemount to review the Valemount Glacier Resort proposal, submit referral responses and coordinate a joint public input process for the review of the Master Plan and OCP applications. The Official Community Plan amendments were adopted and incorporated into Regional District regulations.
- ◆ Adopted Valemount Glacier Zoning Bylaw No. 2998 that institutes zoning and development regulations for the proposed mountain resort development.
- ◆ Evaluate the relationship between Bed and Breakfast, Secondary Suite and Tourist Accommodation uses in the Regional District.
- ◆ Continued communication with the Agricultural Land Commission regarding the review of the existing Delegation Agreement.
- ◆ Participation in provincial working group meetings regarding the proposed lime plant in Giscome.
- ◆ Participation in provincial working group meetings regarding the various proposed pipelines.
- ◆ Participate on the Steering Committee for Beyond the Market initiative. Successfully executed a two year service agreement to see future agricultural initiatives throughout the Regional District.
- ◆ Participate on the Board for the Prince George Air Improvement Round Table. Successfully executed a two year service agreement to see future air quality education and awareness initiatives throughout the Regional District.

Economic Diversification

Development Services works with member municipalities in the development and delivery of economic development programs and initiatives.

In 2016, the focus of Economic Diversification was on:

- ◆ Successfully execute a two year service agreement with the City of Prince George to provide economic development support for select industrial lands within the Regional District.
- ◆ Successfully established an Advisory Committee for the existing Robson Valley Region marketing program. The role of the Advisory Committee will be to provide advice and recommendations to the Steering Committee concerning the program and its deliverables.
- ◆ Carry out strategic planning with the Robson Valley Region Steering Committee and Advisory Committee. The work generated will be used to determine long range program goals for the next two years.
- ◆ Successfully executed a two year contract for service for a new Robson Valley Region Marketing Coordinator. The coordinator's role is to undertake activities in support of the Robson Valley Region marketing program.
- ◆ Partner with neighbouring local governments for the execution of an implementation plan for the proposed United Nations Education, Scientific and Cultural Organization (UNESCO) Wells Grey-North Thompson and Robson Valley Global Geopark.

Building Inspection

The Regional District regulates the construction, alteration, repair or demolition of buildings and structures for the health, safety and protection of persons and property in accordance with the BC Building Code and through the Regional District of Fraser-Fort George Building Bylaw 1561.

In 2016, the focus of Building Inspection was on:

- ◆ Building Inspection had several staff changes in 2016. The Regional District experienced the retirement of two long time employees, the promotion of a current Inspector as well as the employment of a new Building Inspector to backfill the void that was left by one of the retiring members.
- ◆ Building Inspectors travelled throughout the Regional District in 2016, with a total of 351 permits being issued in all Electoral Areas with 35 of them being new homes.
- ◆ The Regional District also partnered with the Village of McBride and the Village of Valemount to establish office hours at the village offices for the Robson Valley/Canoe Valley Building Inspector, allowing for a cohesive approach and consistency to building inspections in Area 'H'.
- ◆ Building Inspections also undertook a competitive bid processes to replace two fleet vehicles. Building Inspection vehicles drive on various road surfaces in all weather conditions and are occupied by staff for up to seven hours per day. The vehicle needs to be all wheel drive for safety, ergonomically supportive, and be economical on fuel.
- ◆ In addition, the Building Bylaw is in the process of being reviewed to reflect the new BC Building Code and *Building Act*.

Environmental Services

Solid Waste Management

The programs and policies introduced by the Regional District through its Regional Solid Waste Management Plan (RSWMP) have resulted in considerable success towards waste diversion. In 2016 a Waste Diversion Implementation Strategy was developed in order to deliver a prioritized work plan and schedule to guide staff in the efficient and effective implementation of the new waste diversion programs that are outlined in the 2015 RSWMP. A key component to increased waste diversion is the ability to ban or restrict recyclable materials in the waste stream. In November 2016, the Regional Board adopted a revised bylaw that applies to all Regional District solid waste disposal facilities and provides measures to restrict the disposal of recyclables.

In 2016, there was 86,810 tonnes of municipal solid waste generated within the Regional District; this includes both residential and business activity. This reflects a decrease of 1.6 % compared to 2015. There was a 6% decrease in the amount of yard and garden waste received for composting. Compost sales continued to increase by 1.6% compared to 2015 revenues.

The Region saw an increase in Demolition, Land clearing and Construction waste (DLC) in 2016. Landfilling of DLC waste increased by 2% compared to 2015.

Continuous operation and maintenance of the landfill gas system resulted in an increase of 32,000 tonnes of carbon dioxide equivalents being destroyed at the Foothills Boulevard Regional Landfill. The extension of the perimeter road and landfill gas main header allows connecting a third horizontal landfill gas well in 2017.

Regional Parks

The Regional District operates and maintains 11 regional parks located throughout the Regional District encompassing a total of 330 hectares of land. In addition to routine maintenance work, a number of improvement projects were completed at a variety of parks. Improvement work included retention of a consultant for mitigating drainage and erosion issues at Harold Mann Regional Park, road repair at Wilkins Regional Park, and bridge deck replacement at Berman Lake Regional Park.

Also, 2016 saw an increase in vandalism at a few parks; incurring repair costs above regular maintenance.

Utilities

The Regional district operates 2 small community water systems and 5 community sewer systems. The Regional District operated these utilities in accordance with provincial regulatory requirements to meet public health, safety and environmental protection objectives. Operational needs are increasing on the sewer systems as the number of active users increase. In 2016, major work was completed at the Bear Lake Community Water System. These works included both setting of the pressure sustaining valve and commissioning of the improved drinking water system.

FINANCIAL MANAGEMENT AND CONTROL

Beginning in 2003, the Regional District's Board of Directors adopt five-year financial plans for each service. These plans provide the budget for the current year, the financial plan for the next four years, and incorporate both operating and capital components. The budget process commences in the fall and the financial plan bylaw must be adopted by March 31st of each year.

Management is responsible for the preparation, monitoring and management of their operating and capital budgets. There were 89 operating budgets prepared in 2016 for the various services offered by the Regional District.

Financial Services is responsible for compiling the budgets and preparing the financial plan for presentation to the Board and overseeing the Information Technology Service including providing GIS and IT support to the District of Mackenzie. This service is also responsible for analysing the budget and making recommendations to the Administrator.

The Regional District has established an accounting system and internal controls to provide reasonable assurance for the safekeeping of assets and the reliability of the financial records. The financial management system allows all services ready access to current financial and budget information. Authorized users have on-line access to a wide variety of financial information that is pertinent to their duties, such as payroll information, accounts payable, accounts receivable and general account and budget detail. In addition to information that is available on-line, all services have access to printed reports at the end of each accounting period. The reports show expenditures to date, outstanding commitments, the annual budget and the variance from the budget.

SIGNIFICANT ACTIVITIES

- 1) **Reserve Fund:** Each year the Regional District budgets for annual contributions to be made into the Reserve Funds. This allows the Regional District to internally finance for specific purposes, such as the purchase of capital equipment and landfill closure costs. These funds are accounted for separately for each service and the monies are invested until such time as they are required. In 2016, \$2,970,838 was contributed from the Operating Funds to the Reserve Funds. During the year, \$701,257 was transferred from reserves to fund the Exploration Place building chiller, Salmon Valley Volunteer Fire Department water tender, Pineview Volunteer Fire Department fire truck, Chilako/Nechako Rescue Service fire truck, and Environmental and Inspection Services vehicles. At December 31, 2016, the total in the Reserve Funds is \$24,592,375.

- 2) **Debt:** The Regional District borrows on behalf of the municipalities within its boundaries and for its own use. Debentures are issued to the Municipal Finance Authority of British Columbia for these funds. Although the Regional District is ultimately responsible for the retirement of the debenture debt, the municipalities are responsible for repayment to the Regional District of their share of this liability. Each year, principal payments are made from the Operating Funds to repay the Regional District's portion of the debenture debt. Of the



\$89,755,665 in debenture debt, the Municipalities (City of Prince George and the Villages of McBride and Valemount) are responsible for the retirement of \$88,491,601.

- 3) Water & Sewer Utilities The Regional District operates Water and Sewer Utilities on behalf of specific areas. Utilities are owned by the taxpayers in those areas with the exception of the Blackburn Water Utility which is a segment of a water utility owned by the City of Prince George that extends into the Regional District. In the Blackburn area, the user fees and parcel taxes are collected by the Regional District and submitted to the City of Prince George.
- 4) Assistance to Other Boards & Corporations
- a) Fraser-Fort George Regional Museum
Under the Heritage Conservation service, the Regional District provides operating and capital grants to this museum.
 - b) Prince George Art Gallery Association
The Regional Grants-in-Aid function provided funds for operating and conditional grants to the Art Gallery.

Each of these organizations, the Fraser-Fort George Regional Museum and the Prince George Art Gallery, is a separate legal entity. As the Regional District provides the majority of the funding for these organizations there is an extraordinary reliance on the Regional District for the continued operation of these entities.

- 5) The Audit: The Regional District is required by the *Local Government Act* to appoint an external auditor to audit the accounts. The auditor is required to give an opinion as to whether the statements present fairly the financial position of the Regional District at December 31st. The auditors are also required to give their opinion as to whether the results of the operations of the year then ended are in accordance with Canadian accounting principles generally accepted for local governments.
- The auditors' role is to examine the statements, procedures, documentation, systems and other matters in order to form an opinion on the Regional District's statements. The financial statements are prepared by, and are the responsibility of, the management of the Regional District.

Respectfully submitted,

"Natalie Wehner"

Natalie Wehner, CPA, CMA
General Manager of Financial Services



BOARD OF DIRECTORS AS OF DECEMBER 31, 2016

Chairperson..... Art Kaehn

Vice Chairperson..... Terry Burgess

Municipal Directors

City of Prince George..... Lyn Hall (Mayor)

..... Murry Krause

..... Frank Everitt

..... Albert Koehler

District of Mackenzie Pat Crook (Mayor)

Village of McBride Rick Thompson

Village of Valemount Jeannette Townsend (Mayor)

Electoral Area Directors

Area A – Salmon River – Lakes Warren Wilson

Area C – Chilako River – Nechako Lara Beckett

Area D – Tabor Lake – Stone Creek..... Bill Empey

Area E – Woodpecker – Hixon..... Art Kaehn

Area F – Willow River – Upper Fraser..... Kevin Dunphy

Area G – Crooked River – Parsnip..... Terry Burgess

Area H – Robson Valley – Canoe Dannielle Alan

Letters patent were issued in 1967 to create the Regional District of Fraser-Fort George. The Regional District has powers and authority as set out in Part 2 of the *Local Government Act*. The governing board of the Regional District is composed of fourteen directors: four selected by the City of Prince George from amongst its council, one selected by each of the councils of the District of Mackenzie, Village of McBride and Village of Valemount, and seven directors elected from within each of the seven electoral areas which cover the unincorporated portions of the Regional District.



BOARD CHAIRPERSON SINCE INCORPORATION

Paul Klotz	1967
George McAndrew	1968 - 1970
Levi Johnson	1971 - 1973
Len Proppe.....	1974 - 1977
Harold Mann.....	1978 - 1979
Art Stauble	1980 - 1981
George McKnight	1982
Art Stauble	1983 - 1986
Monica Becott	1987 - 1988
Colin Kinsley	1989 - 1992
Bob Headrick.....	1993 - 2000
Colin Kinsley	2001 - 2006
Art Kaehn	2007 - 2016

REGIONAL DISTRICT OFFICERS

Chief Administrative Officer.....	Jim Martin
Corporate Officer.....	Karla Jensen
General Manager of Financial Services	Natalie Wehner



REGIONAL DISTRICT FUNCTIONS

GENERAL GOVERNMENT SERVICES

Administration
Bear Lake Community Commission
Board
Community Services
Electoral Area Administration
Community Grants-in-Aid
Regional Grants-in-Aid

PROTECTIVE SERVICES

Bear Lake Fire Protection
Beverly Fire Protection
Buckhorn Fire Protection
Emergency Preparedness Service
Ferndale/Tabor Fire Protection
Fire Department Coordination
Hixon Fire Protection
Inspection Services
McBride District Fire Protection
Ness Lake Fire Protection
Pilot Mountain Fire Protection
Pineview Fire Protection
Red Rock/Stoner Fire Protection
Salmon Valley Fire Protection
Shell-Glen Fire/Rescue Protection
Unightly and Untidy Premises
Valemount and District Fire Protection

TRANSPORTATION SERVICES

Bear Lake Street Lighting
Buckhorn Street Lighting
Hixon Street Lighting
McLeod Lake Street Lighting
Pineview Street Lighting
Red Rock Street Lighting
Shelley Street Lighting
Syms Road Street Lighting
Willow River Street Lighting



REGIONAL DISTRICT FUNCTIONS (continued)

ENVIRONMENTAL HEALTH SERVICES

Adams Road Community Sewer System
Azu Water System
Bear Lake Water System
Bendixon Community Sewer System
Blackburn Water System
Buckhorn Community Sewer System
Rural Transfer Station Service
Sewage Service – Holding Tanks
Shelly Riverbank Erosion Protection
Solid Waste Management
Special Events Regulation
Tabor Lake Sewer System
Talus Road Community Sewer System
Waste Reduction
West Lake Community Sewer System

PUBLIC HEALTH AND WELFARE SERVICES

9-1-1 Emergency Response
Area D Rescue Service
Bear Lake Ambulance Station
Bear Lake Cemetery
Chilako/Nechako Rescue Service
Valemount and District Rescue Service

ENVIRONMENTAL DEVELOPMENT SERVICES

Economic Development Commission
House Numbering
Noise Control
Regional Land Use Planning

FISCAL SERVICES

Debt Charges – Member Municipalities



REGIONAL DISTRICT FUNCTIONS (continued)

RECREATION AND CULTURAL SERVICES

Area H Arenas
Bear Lake Recreation Facility
Canoe Valley Recreation Centre
Dome Creek Recreation Facility
East Line Community Facilities
Heritage Conservation
Nukko Lake Community Hall
Prince George/Mackenzie Library
Recreation Programs
Regional Parks
Reid Lake Community Hall
Robson Valley Recreation Centre
Robson Valley TV Rebroadcasting
Robson Valley/Canoe Library
Sinclair Mills Community Hall
Tete Jaune Community Hall
Valemount and District TV Rebroadcasting

OTHER SERVICES

Dome Creek Telephone
Feasibility Studies

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Regional District of Fraser-Fort George (the "Regional District") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Regional District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Regional District. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Regional District's consolidated financial statements.

"Natalie Wehner"

Natalie Wehner, CPA, CMA
General Manager of Financial Services



KPMG LLP
177 Victoria Street, Suite 400
Prince George BC V2L 5R8
Canada
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INDEPENDENT AUDITORS' REPORT

To the Chairperson and Directors of the Regional District of Fraser-Fort George

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Regional District of Fraser-Fort George, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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, we consider 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Regional District of Fraser-Fort George as at December 31, 2016, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

April 20, 2017

Prince George, Canada



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**REGIONAL DISTRICT
of Fraser-Fort George**

Consolidated Statement of Financial Position

as at December 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	\$ 44,025,935	\$ 38,975,045
Receivables (Note 4)	979,467	1,106,598
Deposits - Municipal Finance Authority (Note 5)	6,597,668	7,060,729
Debt recoverable - member municipalities (Note 6)	<u>88,491,601</u>	<u>96,305,474</u>
	140,094,671	143,447,846
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	2,381,899	2,784,210
Unfunded landfill liabilities (Note 8)	20,723,279	19,471,415
Deferred revenue	17,190	22,950
Reserve - Municipal Finance Authority (Note 5)	6,597,668	7,060,729
Long term debt (Note 9)	<u>90,544,509</u>	<u>98,627,707</u>
	<u>120,264,545</u>	<u>127,967,011</u>
NET FINANCIAL ASSETS	<u>19,830,126</u>	<u>15,480,835</u>
NON-FINANCIAL ASSETS		
Capital projects in progress (Note 11)	485,840	6,496
Tangible capital assets (Schedule 3)	36,023,286	36,187,930
Prepaid expenses	<u>531,847</u>	<u>296,752</u>
	<u>37,040,973</u>	<u>36,491,178</u>
ACCUMULATED SURPLUS (Note 12)	<u>\$ 56,871,099</u>	<u>\$ 51,972,013</u>
Commitments (Note 17)		

"Natalie Wehner"

Natalie Wehner, CPA,CMA, General Manager of Financial Services

The accompanying notes and schedules are an integral part of these consolidated financial statements.



REGIONAL DISTRICT of Fraser-Fort George

Consolidated Statement of Operations and Accumulated Surplus

<i>for the year ended December 31, 2016</i>	2016 Budget (Note 14)	2016	2015
REVENUES			
Requisition and parcel taxes	\$18,214,120	\$18,214,120	\$17,683,970
Municipal debt recovery	12,522,100	12,431,457	12,208,494
Sale of services, utilities and rentals	6,433,430	6,897,339	6,543,307
Grants			
Government transfers - operating (Note 13)	7,959,680	1,137,926	1,428,999
Government transfers - capital	-	-	107,645
Grants-in-lieu	940,000	1,127,434	1,012,431
Other			
Permit fees	189,450	150,412	179,660
Return on investments	-	691,336	614,458
(Losses)/gains on disposal of tangible capital assets	-	(20,701)	9,129
Other revenue	708,260	773,623	535,345
	<u>46,967,040</u>	<u>41,402,946</u>	<u>40,323,438</u>
EXPENSES			
General government services	6,239,400	5,255,541	5,321,704
Protective services	3,004,880	2,920,526	2,706,284
Transportation services	81,040	69,688	62,514
Environmental health services	8,676,770	7,954,585	6,923,619
Public health and welfare services	3,408,490	3,312,911	3,160,001
Environmental development services	777,140	620,256	656,365
Fiscal services	12,522,100	12,431,457	12,208,494
Recreation and cultural services	4,383,210	4,137,417	3,988,872
	<u>39,093,030</u>	<u>36,702,381</u>	<u>35,027,853</u>
LESS: Internal charges	(198,520)	(198,520)	(198,520)
	<u>38,894,510</u>	<u>36,503,861</u>	<u>34,829,333</u>
ANNUAL SURPLUS	<u>8,072,530</u>	<u>4,899,085</u>	<u>5,494,105</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR		51,972,014	46,477,909
ACCUMULATED SURPLUS, END OF YEAR		<u>\$56,871,099</u>	<u>\$51,972,014</u>

The accompanying notes and schedules are an integral part of these consolidated financial statements.



REGIONAL DISTRICT
of Fraser-Fort George

Consolidated Statement of Changes in Net Financial Assets

<i>for the year ended December 31, 2016</i>	2016 Budget (Note 14)	2016	2015
ANNUAL SURPLUS	\$ 8,072,530	\$ 4,899,085	\$ 5,494,105
Acquisition of tangible capital assets	(13,325,850)	(1,304,520)	(2,396,933)
Increase in capital projects in progress	-	(479,344)	(5,484)
Proceeds on disposal of tangible capital assets	-	18,826	12,629
Amortization of tangible capital assets	-	1,429,634	1,283,118
Gain on disposal of tangible capital assets	-	20,701	(9,129)
Decrease (increase) in prepaid expenses	-	(235,091)	(208,111)
	(13,325,850)	(549,794)	(1,323,910)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(5,253,320)	4,349,291	4,170,195
NET FINANCIAL ASSETS, BEGINNING OF YEAR	15,480,834	15,480,835	11,310,640
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 10,227,514</u>	<u>\$ 19,830,126</u>	<u>\$ 15,480,835</u>

The accompanying notes and schedules are an integral part of these consolidated financial statements.



REGIONAL DISTRICT of Fraser-Fort George

Consolidated Statement of Cash Flows

for the year ended December 31, 2016

	2016	2015
OPERATING		
Annual surplus	\$ 4,899,085	\$ 5,494,104
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	1,429,632	1,283,118
Gain on disposal of tangible capital assets	20,701	(9,129)
Increase in unfunded liabilities	1,251,864	171,677
Non-cash charges to operations (net change):		
Decrease (increase) in receivables	127,130	(114,617)
Decrease (increase) in prepaid expenses	(235,091)	(208,110)
Increase (decrease) in accounts payable and accrued liabilities	(402,312)	(75,940)
Increase in deferred revenue	(5,760)	(31,650)
Cash provided by operating transactions	<u>7,085,249</u>	<u>6,509,453</u>
CAPITAL		
Acquisition of tangible capital assets	(1,304,516)	(2,396,933)
Decrease in capital projects in progress	(479,344)	(5,484)
Proceeds from disposal of tangible capital assets	18,826	12,629
Cash applied to capital transactions	<u>(1,765,034)</u>	<u>(2,389,788)</u>
INVESTING		
Increase in temporary investments	<u>(6,397,241)</u>	<u>(2,769,130)</u>
Cash (applied to) investing transactions	<u>(6,397,241)</u>	<u>(2,769,130)</u>
FINANCING		
Loan proceeds	-	186,210
Repayment of long term debt	(269,325)	(405,951)
Increase in debt recoverable from other local governments	(7,813,873)	(7,730,582)
Proceeds of long term debt for other local governments	7,813,873	7,730,582
Cash (applied to) financing transactions	<u>(269,325)</u>	<u>(219,741)</u>
NET CASH (DECREASE) INCREASE	(1,346,351)	1,130,794
CASH, BEGINNING OF YEAR	<u>2,064,077</u>	<u>933,283</u>
CASH, END OF YEAR (Note 3)	<u>\$ 717,726</u>	<u>\$ 2,064,077</u>

The accompanying notes and schedules are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

GENERAL

The notes to the Consolidated Financial Statements are an integral part of the statements. They explain the significant accounting and reporting policies, and the principles that form the basis for these statements. The Notes also provide important supplementary information and explanations, which cannot be conveniently integrated into the Consolidated Financial Statements.

1. DESCRIPTION OF BUSINESS

The Regional District of Fraser – Fort George (the "Regional District") was incorporated by Letters Patent of the Province of British Columbia on March 8, 1967. It provides local services to the residents of the unincorporated areas within the Regional District. It also acts on behalf of the municipalities within the Regional District with respect to debenture issues through the Municipal Finance Authority of British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Consolidated Financial Statements of the Regional District are the representations of management prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. The Consolidated Financial Statements reflect the combined results and activities of the Regional District's Operating, Capital, and Reserve Funds. The purpose of these funds is as below:

- i) Operating Funds – These funds include the General, Water, and Sewer operations of the Regional District. Operating funds are used to record the costs associated with providing Regional District services.
- ii) Capital Funds – These funds include the General, Water, and Sewer Capital Funds. These funds track the acquisition costs of various tangible capital assets and the funding of these assets including related long-term debt.
- iii) Reserve Funds – Under the *Local Government Act* of British Columbia, the Board of Directors of the Regional District may, by bylaw, establish Reserve Funds for specific purposes. Money in a Reserve Fund and interest thereon must be used only for the purpose for which the fund was established. If the amount in a Reserve Fund is greater than required, the Board of Directors may, by bylaw, transfer all or part of the balance to another Reserve Fund.

Basis of accounting

The Regional District uses the accrual basis of accounting.

The accrual basis recognizes revenues and expenses as they become reasonably certain and are measurable.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Taxation revenues in the form of local government requisitions are recognized when received from the Province of British Columbia and member Municipalities in August of each year. Interest and operating grants are recognized as earned. Capital grants and developer contributions are recognized as revenues in the year in which related expenditures are incurred. Sale of services and user fee revenues are recognized when the service or product is provided by the Regional District.

Government transfers are recognized as revenues in the period in which events giving rise to the transfer occur in accordance with PS 3410. PS 3410 requires recognition when a transfer is authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Grants in lieu of taxes are recorded on an accrual basis when it is possible to reasonably estimate the amounts receivable.

Investment earnings

A portion of the return on investments is allocated to all the functions based on the average function balances throughout the year.

Financial instruments

All financial assets except derivatives are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Debt recoverable, deposits and other financial assets are measured at amortized cost less any amount for valuation allowance. Valuation allowances are made to reflect loans receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowance are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectable. Debt and other financial liabilities are recorded at cost or amortized cost. Transaction costs are a component of cost of financial instruments measured using cost or amortized cost.

Financial instruments consist of cash and temporary investments, receivables, deposits, debt recoverable, accounts payable and accrued liabilities, reserve and long term debt. Unless otherwise noted, it is management's opinion that the Regional District is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Deferred revenue

Revenues received in advance of expenses that will be incurred in a later period are deferred until they are earned by being matched against those expenses.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash and short term investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Long-term debt

Long-term debt is recorded net of repayment and actuarial adjustments.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	100 years
Buildings	20 - 50 years
Equipment	5 - 35 years
Engineering structures	50 years
Historical artifacts	not amortized
Sewer systems	50 years
Water systems	50 years

Full annual amortization is charged in the year of acquisition and none in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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

Equity in tangible capital assets

Equity in tangible capital assets reflects the accumulated historical cost of tangible capital assets for which there is no outstanding debt, less accumulated amortization.

Capital leases

Leases meeting the criteria of capital leases under public sector accounting standards are capitalized. The asset acquired and corresponding debt obligations are recorded in the capital fund.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Unfunded landfill liability

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

Use of estimates

The preparation of the Consolidated Financial Statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the landfill closure and post closure costs, determination of accrued sick benefits and vacation liability, collectibility of accounts receivable, and provisions for contingencies. Actual results could differ from estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

Employee future benefits

Sick leave and other benefits are also available to the Regional District's employees. The cost of these benefits are determined based on service and best estimates of retirement ages and wages. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

Segmented information

A segment is defined as distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The Regional District has provided definitions of the Regional District's segments as well as presented financial information in segmented format in Note 15.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries.

A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- i) an environmental standard exists;
- ii) contamination exceeds the environmental standard;
- iii) the Regional District is directly responsible or accepts responsibility;
- iv) future economic benefits will be given up; and
- v) a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring.

3. CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments is comprised of cash balances plus short-term investments held with the Municipal Finance Authority in money market and intermediate pooled investment funds. These investments are carried at market value which approximates costs.

	2016	2015
Cash	\$ 717,726	\$ 2,064,077
Temporary investments	<u>43,308,209</u>	<u>36,910,968</u>
Total	<u><u>\$44,025,935</u></u>	<u><u>\$38,975,045</u></u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

4. RECEIVABLES

Accounts receivable consist of the following:

	2016	2015
Federal Government	\$ 121,725	\$ 164,588
Province of British Columbia	3,818	(784)
Local Governments	270,701	298,263
Trade accounts receivable	583,223	644,531
Total receivables	\$ 979,467	\$ 1,106,598

5. MUNICIPAL FINANCE AUTHORITY

Capital funds are raised for both municipalities within the Regional District and for the Regional District's own purposes by issue of debentures through the Municipal Finance Authority of British Columbia ("MFA").

MFA debt reserve

As a condition of these borrowings, a portion of the debenture proceeds is withheld by MFA as a debt reserve fund. The Regional District also executes demand notes in connection with each debenture whereby the Regional District may be required to loan certain amounts to MFA. Upon full payment of the related debt, the cash withheld, including interest earned thereon, is paid to the Regional District and the demand note expired. Offsetting Municipal Finance Authority Deposits and Reserves consist of the following:

	2016	2015
Member municipalities		
- Cash deposits	\$ 2,135,639	\$ 2,268,389
- Demand notes	4,320,628	4,640,378
Regional district		
- Cash deposits	47,402	50,573
- Demand notes	93,999	101,389
Total deposits and reserves with MFA	\$ 6,597,668	\$ 7,060,729

The MFA has confirmed to its members that the fair market value of the debt reserve fund cash position is 1.07 times the reported book value as at December 31, 2016. This results in a fair market valuation on the above deposits and reserves of \$7,059,505 which is \$461,837 more than book value.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

6. DEBT RECOVERABLE - MEMBER MUNICIPALITIES

The liability in the Consolidated Financial Statements reflects the total debenture debt offset by the principal payments made to date. The Regional District's portion of the debenture debt will be retired by future contributions from the general operating fund, funded through tax requisitions. The debenture debt liability on behalf of the member municipalities is offset by a corresponding receivable from the municipalities:

	<u>2016</u>	<u>2015</u>
Debt recoverable from other local governments		
City of Prince George	\$ 87,713,131	\$ 95,477,197
Village of Valemount	<u>778,470</u>	<u>828,277</u>
Total debt recoverable	<u>\$ 88,491,601</u>	<u>\$ 96,305,474</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2016</u>	<u>2015</u>
Accrued debt interest	\$ 24,105	\$ 26,165
Accounts payable	1,421,941	1,875,343
Wages payable	<u>935,853</u>	<u>882,702</u>
	<u>\$ 2,381,899</u>	<u>\$ 2,784,210</u>

8. UNFUNDED LANDFILL LIABILITIES

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

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure using discount rate of 3.0% which is net of projected annual inflation.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 4 million cubic metres. The estimated remaining capacity of the landfill site is 1.215 (2015 – 1.339) million cubic metres. The existing landfill site is expected to reach capacity in approximately the year 2035.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

8. UNFUNDED LANDFILL LIABILITIES (CONTINUED)

Foothills Regional Landfill	2016	2015
Estimated closure costs	\$24,842,079	\$24,350,066
Estimated post-closure costs	2,842,891	2,815,290
	<u>27,684,970</u>	<u>27,165,356</u>
Estimated capacity used	<u>69.6 %</u>	<u>66.5 %</u>
Accrued liability for Foothills Regional Landfill	19,273,279	18,071,415
Accrued liability for Mackenzie Landfill	<u>1,450,000</u>	<u>1,400,000</u>
Total accrued liability	<u>\$20,723,279</u>	<u>\$19,471,415</u>

The liability and expense of \$20,723,279 (2015 - \$19,471,415) is unfunded as at December 31, 2016. The Regional District has established a Landfill Closure Reserve Fund that is restricted for purposes of funding landfill closure and post-closure costs. As at December 31, 2016, the Landfill Closure Reserve Fund has a balance of \$12,432,481 (2015 - \$10,289,347). The Regional District proposes to fund the balance of the above closure costs using a combination of funds from the Environmental Services Capital Equipment Reserve fund (balance at December 31, 2016 is \$288,268 (2015 - \$342,165) included in Vehicle/Equipment Replacement Reserve Fund balance) and from operating surplus. The Regional District has not designated assets for settling closure and post-closure liabilities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

9. LONG TERM DEBT

Long term debt is made up of the following obligations:

	<u>2016</u>	<u>2015</u>
General capital fund		
Municipal Finance Authority debenture debt		
- borrowing on behalf of member municipalities	\$88,491,601	\$96,305,474
- borrowing for Regional District purposes	1,264,064	1,412,539
Interim financing		
MFA Interim Financing	209,527	310,477
	<u>89,965,192</u>	<u>98,028,490</u>
Sewer capital fund		
Municipal Finance Authority debenture debt		
West Lake Community Sewer	195,613	203,596
Adams Road Sewer System	309,860	319,483
Tallus Road Sewer System	73,844	76,138
	<u>\$90,544,509</u>	<u>\$98,627,707</u>

a. Obligations

The following capital lease and finance contract obligations form a part of the outstanding long term debt in the General Capital Fund.

	Start Date	Term (years)	Effective Annual Interest Rate	Principal & Interest	Payments Remaining	Final Principal Payment
MFA Short Term Financing						
Shell Glen VFD	18-Dec-12	5	1.43	\$ 3,356	9	\$ 3,300
Ness Lake VFD	11-Dec-13	5	1.43	\$ 2,136	24	\$ 2,065
Beaverly VFD	15-Jun-15	5	1.43	\$ 3,222	42	\$ 2,739

The carrying amount of assets held under interim financing are:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

9. LONG TERM DEBT (CONTINUED)

a. Obligations (continued)

Shell Glen VFD \$28,500
Ness Lake VFD \$49,547
Beverly VFD \$131,481

b. Principal payments

Future principal payments due as a result of borrowing on behalf of member municipalities will be recovered by requisition from the municipalities (see note 6 – Debt Recoverable).

Principal payments required over the next 5 years on the remaining long term debt obligations are as follows:

	MFA Borrowing for R.D. purposes	Other Long Term Debt Obligations	Total Principal Payments
2017	\$ 104,004	\$ 90,311	\$ 194,315
2018	104,004	62,331	166,335
2019	104,004	38,107	142,111
2020	80,731	18,778	99,509
2021	80,731	-	80,731
	<u>\$ 473,474</u>	<u>\$ 209,527</u>	<u>\$ 683,001</u>

10. CREDIT FACILITY

The Regional District of Fraser-Fort George has available an authorized operating line of credit to a maximum of \$1,000,000. This facility bears interest at prime rate (December 31, 2016 – 2.7%) and is secured by the current borrowing resolution. This facility remained unused at year end.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

11. CAPITAL PROJECTS IN PROGRESS

Work in progress represents capital works at year-end for which funding has not yet been drawn.

	<u>2016</u>	<u>2015</u>
Robson Valley Exploration and Learning WIP	\$ 478,159	\$ -
Tete Jaune Cemetery Project	7,681	6,496
Total Capital Projects in Progress	<u>\$ 485,840</u>	<u>\$ 6,496</u>

12. ACCUMULATED SURPLUS

	<u>2016</u>	<u>2015</u>
Reserve funds (Schedule 1)	\$ 24,592,375	\$ 22,076,144
Operating Funds	(1,819,662)	(4,059,565)
	<u>22,772,713</u>	<u>18,016,579</u>
Equity in Tangible Capital Assets (Schedule 2)	34,098,386	33,955,434
TOTAL ACCUMULATED SURPLUS	<u>\$ 56,871,099</u>	<u>\$ 51,972,013</u>

13. GRANTS

Grants consist of the following:

	<u>2016</u>	<u>2015</u>
Government of Canada	\$ -	\$ 16,000
Province of British Columbia	926,186	1,176,590
Regional and local governments	72,000	72,065
Other	139,740	164,344
Total grants	<u>\$ 1,137,926</u>	<u>\$ 1,428,999</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

14. BUDGET INFORMATION

The unaudited budget data presented in these consolidated financial statements is based upon the 2016 financial plan bylaw approved by the Board of Directors on March 17, 2016. The legislative requirements for the Financial Plan are that the cash inflows for the period must equal cash outflows.

Cash inflows and outflows include such items as: debt proceeds, transfer to and from reserves and surplus, debt principal repayment and asset purchases and sale proceeds. These items are not recognized as revenues and expenses in the Statement of Operations as they do not meet the public sector accounting standard requirements. PSAB requires that budget figures be presented on the same basis of accounting as actual figures.

In addition, the financial plan anticipated use of surpluses accumulated in previous years to balance against current year expenditures in excess of current year revenues. These prior year surpluses do not appear on the current year Statement of Operations.

The legislation does not require the funding of non-cash items such as amortization or liability accruals to provide for future cash requirements, thus there is no legislative requirement to include these items in the Financial Plan. However, these items are recognized as expenses in the Statement of Operations.

Amortization was not contemplated on the development of the approved 2016 Financial Plan and as such, has not been included. The chart below illustrates how the legislative requirement for a balanced Financial Plan has been met.

	Budget Amount
Financial plan bylaw, surplus for the year	\$ -
Adjust for budgeted cash items not included in Statement of Operations	
Acquisition of Tangible Capital Assets	13,325,850
Principal payments	109,310
Budgeted transfer to reserves	3,066,470
Debt Proceeds	(327,000)
Transfer from reserves	(2,431,130)
Transfer from operating surplus	(5,670,970)
Budgeted Annual Surplus	\$ 8,072,530



Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

15. SEGMENTED INFORMATION

The Regional District of Fraser-Fort George is a diversified local government providing a wide range of services to almost 100,000 residents, including parks, recreation centres, community halls, fire protection, water and sewer services. As a requirement of the Local Government Act, separate financial records must be kept for each service providing detailed allocation of assets and liabilities, revenues and expenses, information concerning reserve funds and other pertinent financial details. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and also amounts that are allocated on a reasonable basis.

Segmentation has been determined on a functional basis with consideration to service delivery and department accountabilities. The following is a description of the types of services included in each of the main service segments of the Regional District's financial statement. A detailed summary of the 2016 revenues and expenses can be found in Schedule 4, with 2015 comparative information in Schedule 5.

General Government

General government is comprised of member municipality and electoral area governance, general administration which includes legislative services, finance, human resources and information systems, community services and grants in aid.

Protective Services

Protective services include volunteer fire departments, emergency programs, building inspection and various bylaw compliance services.

Transportation

Transportation services include street lighting.

Environmental Health

The environmental health service is responsible for regional solid waste management through collection disposal services, waste reduction and education programs. Water and sewer systems are also included in this service.

Public Health and Welfare

Public health and welfare service includes 9-1-1 emergency response, cemetery service and search and rescue.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

15. SEGMENTED INFORMATION (CONTINUED)

Environmental Development

Environmental development service includes regional land use planning, economic development, noise control and house numbering.

Recreation and Cultural

Recreation and cultural services include recreation facilities and programs, regional parks, community halls, TV rebroadcasting and contributions towards libraries.

Fiscal Services

Fiscal services provides for debenture interest and principal repayment on debt taken out by the member municipalities.

Other Services

Other services include telephone, natural gas and feasibility studies.

16. CAPITAL MANAGEMENT

The Regional District's objectives when managing capital are:

1. To safeguard the Regional District's ability to operate as a going concern; and
2. To maintain a flexible capital structure.

The Regional District's credit facilities are reviewed annually to ensure sufficient funds are available to meet operational needs.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

17. COMMITMENTS

Pension liability

The employer and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2015, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit. The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis.

The Regional District paid \$454,459 for employer contributions to the plan in fiscal 2016 which represents 0.3 per cent of the total plan contributions. The Regional District of Fraser-Fort George expects to pay \$480,000 for employer contributions in the next fiscal year.

The next valuation will be as at December 31, 2018, with results available in 2019.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The Regional District paid \$454,459 (2015 - \$459,800) for employer contributions while employees contributed \$388,393 (2015 - \$359,250) to the plan in fiscal 2016.

18. RELATED PARTY TRANSACTIONS

The Fraser-Fort George Regional Hospital District is related to the Regional District since the same individuals are members of the Board of Directors of both organizations. As legislated by the Hospital District Act, the officers and employees of the Regional District are the corresponding officers and employees of the Hospital District. Each of the Regional District and Hospital District are separate legal entities as defined by separate Letter Patent and authorized by separate legislation. During the year the Hospital purchased, at a cost of \$249,880 (2015 - \$247,160), of administrative support services from the Regional District.

Schedule 1 - Reserve Funds

	<u>2016</u>	<u>2015</u>
General Capital		
Equipment replacement reserve	\$ 5,187,894	\$ 5,407,857
Truck replacement reserve	2,429,522	1,886,056
Office accomodation	1,137,653	1,101,004
Landfill closure	12,432,481	10,289,347
Park development	457,862	378,774
Feasibility study	140,829	149,515
Budget revenue stabilization	407,123	415,756
Park land acquisition	77,030	76,224
Region wide fire protection	48,892	48,380
Cultural endowment	1,331,074	1,297,308
Exploration Place building	268,577	328,842
	<u>23,918,937</u>	<u>21,379,063</u>
Water		
Bear Lake Water - equipment	313,798	351,111
Azu Water - equipment	57,076	46,574
	<u>370,874</u>	<u>397,685</u>
Sewer		
Tabor Lake Sewer - equipment	2,168	2,145
Buckhorn Sewer - equipment	13,612	13,469
Bendixon Sewer - equipment	5,462	5,405
West Lake Sewer - equipment	65,759	65,071
Adams Rd Sewer - equipment	151,720	150,131
Tallus Rd Sewer - equipment	63,843	63,175
	<u>302,564</u>	<u>299,396</u>
Total reserve funds	<u><u>\$ 24,592,375</u></u>	<u><u>\$ 22,076,144</u></u>

The accompanying notes and schedules are an integral part of these consolidated financial statements.

Schedule 2 - Equity, Tangible Capital Assets

	General	Water	Sewer	Consolidated
Balance, beginning of the year	\$ 29,212,997	\$ 1,247,849	\$ 3,494,588	\$ 33,955,434
Contributions to capital assets				
Operating funds	426,796	43,356	-	470,152
Reserve funds	739,025	-	-	739,025
Government grant	45,000	50,338	-	95,338
	<u>1,210,821</u>	<u>93,694</u>	<u>-</u>	<u>1,304,515</u>
Debt repayment and asset disposals				
Actuarial adjustments	55,512	-	3,567	59,079
Debt principal repaid	192,373	-	16,333	208,706
Interfund advance	-	-	39,810	39,810
Disposal of capital assets	(39,527)	-	-	(39,527)
Amortization of capital assets	<u>(1,279,246)</u>	<u>(38,715)</u>	<u>(111,670)</u>	<u>(1,429,631)</u>
	<u>(1,070,888)</u>	<u>(38,715)</u>	<u>(51,960)</u>	<u>(1,161,563)</u>
Balance, end of year	<u><u>\$ 29,352,930</u></u>	<u><u>\$ 1,302,828</u></u>	<u><u>\$ 3,442,628</u></u>	<u><u>\$ 34,098,386</u></u>

The accompanying notes and schedules are an integral part of these consolidated financial statements.



REGIONAL DISTRICT of Fraser-Fort George

Schedule 3 - 2016 Tangible Capital Assets

	Land and Improvements	Buildings	Equipment	Engineering Structures	Historical Artifacts	Sewer Systems	Water Systems	Total 2016
Cost								
Balance, beginning of year	\$ 5,965,206	\$ 22,274,757	\$ 13,270,427	\$ 4,903,370	\$ 231,596	\$ 5,338,172	\$ 1,842,071	\$ 53,825,599
Add: Additions	-	178,443	612,154	420,229	-	-	93,694	1,304,520
Less: Disposals	-	-	(478,084)	-	-	-	-	(478,084)
Balance, end of year	5,965,206	22,453,200	13,404,497	5,323,599	231,596	5,338,172	1,935,765	54,652,035
Accumulated amortization								
Balance, beginning of year	11,945	7,716,052	7,436,840	917,237	-	961,375	594,222	17,637,671
Add: Amortization	597	525,573	657,280	95,796	-	111,670	38,715	1,429,631
Less: Accumulated amortization on disposals	-	-	(438,553)	-	-	-	-	(438,553)
Balance, end of year	(12,542)	(8,241,625)	(7,655,567)	(1,013,033)	-	(1,073,045)	(632,937)	(18,628,749)
Net book value	5,952,664	14,211,575	5,748,930	4,310,566	231,596	4,265,127	1,302,828	36,023,286
<i>2015 net book value, beginning of year</i>	<i>5,953,858</i>	<i>15,076,246</i>	<i>5,160,773</i>	<i>3,201,032</i>	<i>231,596</i>	<i>4,488,470</i>	<i>965,640</i>	<i>35,077,615</i>
<i>2015 net book value, end of year</i>	<i>\$ 5,953,261</i>	<i>\$ 14,558,705</i>	<i>\$ 5,833,587</i>	<i>\$ 3,986,133</i>	<i>\$ 231,596</i>	<i>\$ 4,376,797</i>	<i>\$ 1,247,849</i>	<i>\$ 36,187,928</i>



Schedule 4 - 2016 Segmented Information

December 31, 2016	General government services	Protective services	Transportation services	Environmental health services	Public health and welfare services	Environmental development services	Fiscal services	Recreation and cultural services	2016 Total	2016 Budget
Revenues										
Requisition and parcel taxes	\$ 4,057,360	\$ 3,218,340	\$ 66,070	\$ 4,052,160	\$ 2,578,950	\$ 492,630	\$ -	\$ 3,748,610	\$ 18,214,120	\$ 18,214,120
Municipal debt recovery	-	-	-	-	-	-	12,431,457	-	12,431,457	12,522,100
Sale of services, utilities and rentals	60,845	37,783	-	5,654,947	1,064,348	-	-	79,416	6,897,339	6,433,430
Grants	1,914,538	10,150	3,566	-	-	150,000	-	187,106	2,265,360	8,899,680
Other revenue	934,470	181,674	967	429,168	32	34,699	-	13,660	1,594,670	897,710
	6,967,213	3,447,947	70,603	10,136,275	3,643,330	677,329	12,431,457	4,028,792	41,402,946	46,967,040
Expenses										
Salaries and wages	2,482,330	658,489	-	1,547,996	566,248	473,975	-	872,866	6,601,904	7,428,907
Debt Charges Regional District	-	11,376	-	35,561	13,808	-	-	98,801	159,546	267,660
Debt Charges - Municipal	-	-	-	-	-	-	12,431,457	-	12,431,457	12,522,100
Amortization	171,644	494,617	-	252,432	278,259	-	-	232,680	1,429,632	-
Other Expenses	2,601,567	1,756,044	69,688	6,118,596	2,454,596	146,281	-	2,933,071	16,079,842	18,874,363
	5,255,541	2,920,526	69,688	7,954,585	3,312,911	620,256	12,431,457	4,137,418	36,702,381	39,093,030
LESS: Internal charges	-	-	-	-	-	(15,500)	-	(183,020)	(198,520)	(198,520)
	5,255,541	2,920,526	69,688	7,954,585	3,312,911	604,756	12,431,457	3,954,398	36,503,861	38,894,510
Net income (loss)	\$ 1,711,672	\$ 527,421	\$ 915	\$ 2,181,690	\$ 330,419	\$ 72,573	\$ -	\$ 74,394	\$ 4,899,085	\$ 8,072,530



Schedule 5 - 2015 Segmented Information

December 31, 2015	General government services	Protective services	Transportation services	Environmental health services	Public health and welfare services	Environmental development services	Fiscal services	Recreation and cultural services	2015 Total	2015 Budget
Revenues										
Requisition and parcel taxes	\$ 4,017,490	\$ 3,037,430	\$ 66,070	\$ 4,027,160	\$ 2,411,900	\$ 475,120	\$ -	\$ 3,648,800	\$ 17,683,970	\$ 17,683,970
Municipal debt recovery	-	-	-	-	-	-	12,208,494	-	12,208,494	12,208,490
Sale of services, utilities and rentals	63,047	62,844	-	5,308,205	1,032,147	-	-	77,064	6,543,307	6,522,760
Grants	1,885,868	33,892	2,538	150,383	-	199,600	-	276,794	2,549,075	4,506,170
Other revenue	695,246	386,161	1,200	199,257	12,986	34,707	-	9,035	1,338,592	558,390
	6,661,651	3,520,327	69,808	9,685,005	3,457,033	709,427	12,208,494	4,011,693	40,323,438	41,479,780
Expenses										
Salaries and wages	2,306,171	549,265	-	1,504,648	593,901	499,119	-	837,825	6,290,929	69,525,500
Debt Charges Regional District	-	13,915	-	101,561	13,808	-	-	98,801	228,085	477,070
Debt Charges - Municipal	-	-	-	-	-	-	12,208,494	-	12,208,494	12,208,490
Amortization	150,683	523,960	-	250,446	129,401	-	-	228,628	1,283,118	-
Other Expenses	2,864,850	1,619,144	62,514	5,066,964	2,422,891	157,246	-	2,823,618	15,017,227	29,032,080
	5,321,704	2,706,284	62,514	6,923,619	3,160,001	656,365	12,208,494	3,988,872	35,027,853	48,670,190
LESS: Internal charges	-	-	-	-	-	(15,500)	-	(183,020)	(198,520)	(299,020)
	5,321,704	2,706,284	62,514	6,923,619	3,160,001	640,865	12,208,494	3,805,852	34,829,333	48,371,170
Net income (loss)	\$ 1,339,947	\$ 814,043	\$ 7,294	\$ 2,761,386	\$ 297,032	\$ 68,562	\$ -	\$ 205,841	\$ 5,494,105	\$ (6,891,390)



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