



REGIONAL DISTRICT
of Fraser-Fort George

REGIONAL DISTRICT OF FRASER-FORT GEORGE
**2018 CONSOLIDATED
FINANCIAL STATEMENTS**

Front cover picture is Teapot Mountain overlooking Summit Lake
taken by: Ryan Sault – stock.adobe.com



Valemount Fire Hall
Garage Built in 2018



Robson Valley Exploration and Learning Service
Building renovations in 2018.

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REPORT FROM THE GENERAL MANAGER OF FINANCIAL SERVICES

April 8, 2019

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

The financial report and consolidated financial statements for the Regional District of Fraser-Fort George ("Regional District") for the year ended December 31, 2018, 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 financial statements have been prepared in accordance with the Public Sector Accounting Board recommendations for financial statement presentation. The objective of the consolidated financial statements is to fairly present the consolidated financial position of the Regional District. The firm of KPMG LLP is responsible to report to the Regional District Board with the results of their audit. Their Independent Auditors' Report, with an unqualified opinion, is included in these consolidated financial statements.

2018 HIGHLIGHTS

The Regional District delivers ninety-two (92) 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 Management. These services are delivered through a number of business units within the Regional District: Corporate Services, Community Services (includes Public Safety), 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 records, manages and responds to Freedom of Information requests, provides support for the Regional District Board operations and directors, manages the Regional District's staff resources, communications and external relations and processes a large variety of requests for information and assistance from staff and the general public.

In 2018, Corporate Services managed a number of processes on behalf of the Regional District, including:

- carrying out the General Local Election;
- further development of a Records Management Program;
- continued relationship building with Lheidli T'enneh First Nation, McLeod Lake Indian Band and the Simpcw First Nation;



- 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;
- oversight on implementation of the Regional District's Corporate Climate Change Action Plan;
- oversight on implementation of the Regional District's Asset Management Strategy;
- introduction of the Cultural Endowment Fund Grant programs;
- review and assessment of the Golden Raven Cultural Marketing program that promotes museums, galleries and heritage sites within the region;
- implementation of public education and community engagement strategies for a number of Regional District programs and services;
- continued work in partnership with the Villages of McBride and Valemount to implement strategies from the Robson-Canoe Valley Economic Opportunities Plan;
- being a resource to administrative colleagues in the Regional District's smaller member municipalities in sharing our knowledge and best practices in the operation and delivery of local government services; and
- successfully re-negotiating the terms of a mutually beneficial, four-year collective agreement with CUPE Local 1699.

COMMUNITY SERVICES

Community Services Administration assists community groups in the development and ongoing service delivery for the long-term sustainability of 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 2018, Community Services Administration's focus was on:

- Tete Jaune Cemetery land preparation;
- completion of the Robson Valley Exploration and Learning Centre renovations;
- assisting with grant applications and associated project management;
- the 2018 Community Association Workshop;
- the Miworth Community Hall Service Feasibility Study; and
- Robson Valley Recreation Centre support.



Grants

Each year, the Regional District provides community grants to organizations in the electoral areas that will benefit the residents. In 2018, \$816,925 was provided through 133 Community Grants-in-Aid requests, and \$66,047 through 24 Recreation Grants-in-Aid requests to various organizations within the Regional District.

Recreation Service

The Canoe Valley Recreation Centre, Robson Valley Recreation Centre, and Robson Valley Community Centre are all operated and maintained in a safe and efficient manner to provide Electoral Area H with a wide range of year-round activities and opportunities to benefit residents and visitors.

In 2018, the focus of the Canoe and Robson Valley Recreation Centres and Community Centre was on achieving and maintaining WorkSafe BC and Technical Safety BC regulatory compliance.

PUBLIC SAFETY

9-1-1 Emergency Response

The 9-1-1 Emergency Response Service provides for emergency 9-1-1 call taking services, transfer of emergency calls to the appropriate downstream agency, and coordinated fire dispatch and communications services of eighty fire/rescue agencies. 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. The 9-1-1 Service further supports the operation, maintenance, and development of a fire/rescue radio dispatch and communications system for fire/rescue services in the Regional District and a centralized fire dispatch facility located in the Fire Operations Communications Centre (FOCC).

9-1-1 services are provided to over 210,000 residents within the Regional District of Fraser-Fort George, Cariboo Regional District, Regional District of Kitimat-Stikine, and the Regional District of Bulkley-Nechako.

In 2018, Public Safety Administration's focus was on:

- 9-1-1 communications system maintenance;
- negotiations and implementation of new expansions and service agreements with the:
 - District of Kitimat;
 - Regional District of Central Kootenay; and
 - Regional District of Kitimat-Stikine;
- Computer Aided Dispatch and Records Management Systems software upgrades; and
- development of FOCC infrastructure upgrades and system replacement strategy.



Fire Department Coordination Service

The Fire Department Coordination Service 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 2018, focus was on:

- ordering of new frontline engines for the Valemount and District Volunteer Fire Department and Hixon Volunteer Fire Department;
- construction of the Valemount and District Volunteer Fire Department storage garage;
- coordination of regional training opportunities;
- managing and coordinating Structural Protection Unit and volunteer fire department support to the provincial wildfire response through the Office of the Fire Commissioner; and
- development of volunteer fire department budgets and strategic planning.

Emergency Preparedness Service

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

Currently, there are twenty-four staff members trained to work in the Emergency Operations Centre. Staff provide evacuee support services, with six Evacuee Support Program volunteers, that provide emergency services.

During 2018, the Emergency Management Program activated for:

- spring overland flooding;
- support to northern wildfire evacuee host community - City of Prince George;
- wildfire emergency operations center support to Fort St. James; and
- integrated response for Enbridge pipe rupture.

In 2018, the Emergency Management Program's focus was on:

- emergency preparedness education;
- community involvement/presentations;
- emergency management activations; and
- submission of grant applications.



DEVELOPMENT SERVICES

Land Use Planning

The Regional District's Land Use Planning 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, Information Technology/Geographic Information System Service and outside agencies, such as the Northern Health Authority; the Ministries of Transportation and Infrastructure, Municipal Affairs and Housing, Environment and Climate Change Strategy; Forest, Lands and Natural Resource Operations and Rural Development; and the Provincial Agricultural Land Commission in order to provide efficient public service.

In 2018, the focus of Land Use Planning was on:

- intake of approximately eighty land use applications (Agricultural Land Reserve, Zoning Bylaw, Official Community Plan, Temporary Use Permit, Development Variance Permit and Development Permit);
- providing referral responses to provincial ministries, such as: Forests, Lands and Natural Resource Operations and Rural Development and Ministry of Transportation and Infrastructure for various proposed land use and development;
- introducing procedures for processing referral applications from the Liquor and Cannabis Regulation Branch for cannabis retail sales licenses and liquor licenses;
- participating in the Regional Agriculture Adaptation Strategies Project in partnership with the Regional District of Bulkley-Nechako and BC Agriculture and Food Climate Change Initiative;
- agreement in principle with the University of Northern British Columbia for the delivery of the Community Studio program;
- continued dialogue with various utility operators regarding development in the Regional District;
- successfully entering into four-year Regional Land Use Planning Participation Agreements with the Regional District member municipalities: City of Prince George, District of Mackenzie, Village of McBride and Village of Valemount; and
- participating on the board for the Prince George Air Improvement Round Table.

Economic Diversification

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

In 2018, the focus of Economic Diversification was on:

- oversight of the Robson Valley Region Steering Committee and Advisory Committee;



- continued oversight of the Robson Valley Region Marketing Coordinator. The Coordinator's role is to undertake activities in support of the Robson Valley Region marketing program;
- development of marketing videos to promote opportunities to live, work and play in the Robson Valley Region;
- continuing the marketing program with the City of Prince George for industrial lands within the Regional District's Electoral Areas; and
- the implementation of a legacy program, delivered by Community Futures Fraser Fort George, as the Beyond the Market initiative wraps up in 2019.

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 Building Bylaw No. 1561.

In 2018, the focus of Building Inspection was on:

- inspections throughout the Regional District with a total of 294 permits being issued in all Electoral Areas with 38 of them being for new homes. Total permit values in 2018 were \$23,710,000 with \$14,592,000 of that value for new homes;
- continuing the partnership with the Village of McBride and the Village of Valemount to establish office hours at each location for the Robson Valley/Canoe Valley Building Inspector, allowing for a cohesive approach and consistency to building inspections in Electoral Area 'H';
- continuation of a project to move from paper copies of inspection certificates to completing the inspections on an electronic tablet. The change will provide better consistency during inspections and deliver immediate notification to the owner and/or contractor and update the Regional District system. This project is expected to be implemented in 2019;
- receiving the new BC Building Code in December; and
- reviewing Regional District Building Bylaw No. 1561 to reflect the new BC Building Code revisions and *Building Act*.

ENVIRONMENTAL SERVICES

Solid Waste Management

The programs and policies introduced by the Regional District through its Regional Solid Waste Management Plan have resulted in considerable success towards waste diversion. In 2018, the implementation of the Waste Diversion Implementation Strategy was successfully continued with an Extended Producer Responsibility policy framework direction adopted by the Regional District Board, as well, a demolition, land clearing and construction waste diversion study was completed. The Regional District successfully completed its third Waste Characterization Study in June 2018 providing data on waste disposed of at the Foothills Boulevard Regional Landfill. The access

ramp at the McBride Regional Transfer Station was repaired in addition to ongoing operational and maintenance tasks at all seventeen transfer stations and three active landfills.

In 2018, there was 87,112 tonnes of municipal solid waste generated by both residents and businesses within the Regional District. This reflects a 1.0% decrease compared to 2017. Other changes of note include:

- 11% decrease in the amount of yard and garden waste received for composting;
- compost sales were down by 18% as compared to 2017;
- landfilling of demolition, land clearing and construction waste decreased by 0.3% over 2017; and
- 3% increase in the amount of cardboard, mixed paper and plastic recycled through the Regional District's multi-material recycling program.

Continuous operation of the landfill gas system (LFG) resulted in 28,200 tonnes of carbon dioxide equivalents being destroyed at the Foothills Boulevard Regional Landfill. Tasks that were undertaken or that affected the overall production of Landfill Gas for 2018 were as follows:

- the connection of the third horizontal LFG collector pipe was completed in June.
- Programmable Logic Control card replacement and programming was carried out in July; and
- repairs to a failing condensate trap were completed in August.

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 undertaken at a variety of parks including:

- shoreline restoration and erosion mitigation works were completed at Ness Lake Regional Park;
- initial study of Douglas Fir bark beetle at McMillan Creek Regional Park;
- trail and bridge repairs at Wilkins Regional Park; and
- trail surface improvements at George Hicks Regional Park.

In addition to these works, 2018 saw a slight increase in episodes of vandalism at various parks, thereby incurring slightly higher maintenance costs.

Utilities

The Regional District operates two small community water systems and five community sewer systems. The Regional District operates these systems in accordance with provincial regulatory requirements to meet public health, safety and environmental protection objectives.



The main roles of the Regional District at these sites for 2018 included:

- operating spray irrigation systems for the community sewer systems at three of the five systems;
- operating the waste water system at Baldy Hughes on a contract basis for BC Housing; and
- performing routine sampling and monitoring of the two community water systems.

FINANCIAL SERVICES

FINANCIAL MANAGEMENT AND CONTROL

The Regional District's Board adopts five-year financial plans for each service. These five-year financial 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 five-year 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 ninety-two operating budgets prepared in 2018 for the various services offered by the Regional District.

Financial Services is responsible for compiling the budgets and preparing the five-year financial plan for presentation to the Board. This service is also responsible for analyzing the budget and making recommendations to the Administrator.

Financial Services 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.

SIGNIFICANT ACTIVITIES

- 1) Reserve Funds: 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 and post-closure costs. These funds are accounted for separately for each service and the monies are invested until such time as they are required.

At December 31, 2018, the Regional District held approximately 165 unique reserve funds. In 2018, \$7,171,662 was contributed from the Operating Funds to the Reserve Funds. During the year, \$434,919 in total was transferred from reserves to fund the Robson Valley Exploration renovations and retrofit, Mackenzie Community Hall Improvements,



Energy Efficiency Upgrades at the Bear Lake and Ferndale/Tabor Volunteer Fire Department Halls and the administration office building, facility condition assessments and a drinking water system upgrade at Bear Lake. In addition, \$53,500 was transferred from the Cultural Plan Endowment Reserve to provide grants to cultural organizations within the Regional District. At December 31, 2018, the total in the Reserve Funds is \$46,489,346.

- 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 \$74,792,491 in debenture (MFA long-term) debt, the Municipalities (City of Prince George and the Village of Valemount) are responsible for the retirement of \$72,754,820.

- 3) The Audit: The Regional District is required by the Section 169 of the Community Charter to appoint an external auditor. The auditor is required to give an opinion as to whether the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Regional District as at December 31st, including the consolidated results of operations, consolidated changes in net financial assets and the consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

The independent auditors' role is to examine the consolidated financial statements, procedures, documentation, systems and other matters in order to form an opinion on the Regional District's consolidated financial statements. The consolidated financial statements are prepared by, and are the responsibility of, the management of the Regional District.

Respectfully submitted,

“Chris Calder”

Chris Calder, CPA, CA
General Manager of Financial Services



BOARD OF DIRECTORS AS OF DECEMBER 31, 2018

Chairperson..... Art Kaehn

Vice Chairperson..... Lara Beckett

Municipal Directors

City of Prince George Lyn Hall (Mayor)

..... Murry Krause

..... Terri McConnachie

..... Kyle Sampson

District of Mackenzie Joan Atkinson (Mayor)

Village of McBride Allan Frederick

Village of Valemount Owen Torgerson (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 Pat Crook

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 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 - 2018

REGIONAL DISTRICT OFFICERS

Chief Administrative Officer.....	Jim Martin
General Manager of Legislative and Corporate Services (Corporate Officer)	Karla Jensen
General Manager of Financial Services (Financial Officer).....	Chris Calder



REGIONAL DISTRICT FUNCTIONS

GENERAL GOVERNMENT SERVICES

Administration
Bear Lake Community Commission
Regional District 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
Unsightly 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
Tallus 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
Tete Jaune Cemetery
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 Libraries
Recreation Programs
Regional Parks
Reid Lake Community Hall
Robson Valley/Canoe Libraries
Robson Valley Exploration and Learning
Robson Valley Recreation Centre
Robson Valley TV Rebroadcasting
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.

"Chris Calder"

Chris Calder, CPA, CA
General Manager of Financial Services



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Regional District of Fraser-Fort George (the "Regional District"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Regional District as at December 31, 2018 and its consolidated results of operations, change in net consolidated financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Regional District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regional District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional District's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Regional District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Prince George, Canada

April 18, 2019



**REGIONAL DISTRICT
of Fraser-Fort George**

Consolidated Statement of Financial Position

As at December 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash	\$ 2,584,277	\$ 1,978,495
Portfolio investments (Note 3)	55,377,384	48,653,316
Accounts receivable (Note 4)	1,849,102	1,910,493
Deposits - Municipal Finance Authority (Note 5)	54,960	52,893
Debt recoverable - member municipalities (Note 6)	<u>72,754,820</u>	<u>80,393,328</u>
Total financial assets	132,620,543	132,988,525
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	3,451,240	3,320,869
Provision for landfill closure and post-closure (Note 8)	22,854,294	21,603,626
Deferred revenue (Note 9)	668,693	672,283
Reserve - Municipal Finance Authority (Note 5)	54,960	52,893
Debt, net of sinking funds (Note 10)	<u>75,331,398</u>	<u>83,235,267</u>
Total liabilities	102,360,585	108,884,938
NET FINANCIAL ASSETS	30,259,958	24,103,587
NON-FINANCIAL ASSETS		
Capital projects in progress (Note 11)	101,961	118,661
Tangible capital assets (Schedule 3)	37,786,364	38,744,238
Prepaid expenses	<u>258,176</u>	<u>196,858</u>
Total non-financial assets	38,146,501	39,059,757
ACCUMULATED SURPLUS (Note 12)	\$ 68,406,459	\$ 63,163,344
Commitments (Note 17)		
Contractual obligations (Note 18)		
Contingent assets (Note 20)		
Contractual rights (Note 21)		

“Chris Calder”

Chris Calder, CPA, CA, General Manager of Financial Services

"Art Kaehn"

Art Kaehn, Chair

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

Consolidated Statement of Operations and Accumulated Surplus

<i>For the year ended December 31, 2018</i>	2018 Budget (Note 15)	2018	2017
REVENUES			
Requisition and parcel taxes	\$ 18,967,570	\$ 18,967,570	\$ 18,721,200
Municipal debt recovery	11,161,340	11,065,979	11,618,295
Sale of services, utilities and rentals	8,011,860	7,748,108	8,429,851
Government transfers (Note 14)	8,042,490	1,181,202	1,263,338
Grants-in-lieu	1,040,000	1,276,026	1,255,823
Permit fees	165,950	199,972	201,991
Return on investments	-	1,002,617	598,155
Loss on disposal of tangible capital assets	-	(244)	-
Other revenue	534,690	622,739	435,660
Total revenues	47,923,900	42,063,969	42,524,313
EXPENSES			
General government services	6,819,370	6,102,235	5,467,721
Protective services	2,930,550	3,380,097	3,283,872
Transportation services	74,570	73,799	72,242
Environmental health services	9,041,800	7,813,590	7,654,494
Public health and welfare services	3,556,230	3,509,748	3,424,079
Environmental development services	862,450	545,581	580,542
Fiscal services	11,161,340	11,065,979	11,618,295
Recreation and cultural services	4,439,990	4,329,825	4,130,823
Total expenses	38,886,300	36,820,854	36,232,068
ANNUAL SURPLUS	9,037,600	5,243,115	6,292,245
ACCUMULATED SURPLUS, BEGINNING OF YEAR	63,163,344	63,163,344	56,871,099
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 72,200,944</u>	<u>\$ 68,406,459</u>	<u>\$ 63,163,344</u>

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

Consolidated Statement of Changes in Net Financial Assets

<i>For the year ended December 31, 2018</i>	2018 Budget (Note 15)	2018	2017
Annual surplus	\$ 9,037,600	\$ 5,243,115	\$ 6,292,244
Acquisition of tangible capital assets	(12,117,000)	(674,641)	(4,311,101)
Decrease in capital projects in progress	-	16,700	367,179
Proceeds on disposal of tangible capital assets	-	16,257	-
Amortization of tangible capital assets	-	1,616,014	1,590,149
Loss on disposal of tangible capital assets	-	244	-
Acquisition of prepaid expenses	-	(258,176)	-
Use of prepaid expenses	-	196,858	334,989
	<u>(12,117,000)</u>	<u>913,256</u>	<u>(2,018,784)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(3,079,400)	6,156,371	4,273,461
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>24,103,587</u>	<u>24,103,587</u>	<u>19,830,126</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>\$ 21,024,187</u></u>	<u><u>\$ 30,259,958</u></u>	<u><u>\$ 24,103,587</u></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, 2018

	2018	2017
OPERATING TRANSACTIONS		
Annual surplus	\$ 5,243,115	\$ 6,292,244
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	1,616,014	1,590,149
Loss on disposal of tangible capital assets	244	-
Increase in provision for landfill closure and post-closure	1,250,668	880,347
Non-cash charges to operations (net change):		
Decrease (increase) in accounts receivable	61,391	(909,302)
(Increase) decrease in prepaid expenses	(61,318)	334,985
Increase in accounts payable and accrued liabilities	130,371	917,247
(Decrease) increase in deferred revenue	(3,590)	655,093
Net change in cash from operating transactions	<u>8,236,895</u>	<u>9,760,763</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(674,641)	(4,311,101)
Decrease in capital projects in progress	16,700	367,179
Proceeds from disposal of tangible capital assets	16,257	-
Net change in cash from capital transactions	<u>(641,684)</u>	<u>(3,943,922)</u>
INVESTING TRANSACTIONS		
Increase in portfolio investments	<u>(6,724,068)</u>	<u>(5,345,107)</u>
Net change in cash from investing transactions	<u>(6,724,068)</u>	<u>(5,345,107)</u>
FINANCING TRANSACTIONS		
Loan proceeds	-	597,740
Long-term debt proceeds	90,910	450,000
Repayment of long-term debt	(356,271)	(258,705)
Net change in cash from financing transactions	<u>(265,361)</u>	<u>789,035</u>
NET CASH INCREASE	605,782	1,260,769
CASH, BEGINNING OF YEAR	<u>1,978,495</u>	<u>717,726</u>
CASH, END OF YEAR	<u>\$ 2,584,277</u>	<u>\$ 1,978,495</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, 2018

GENERAL

The notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements. They explain the significant accounting and reporting policies, and the principles that form the basis for these Consolidated Financial 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. The Regional District's principal activities are the provision of regional, sub-regional and local government services to the residents of the four municipalities and seven electoral areas within its boundaries.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation

The Consolidated Financial Statements of the Regional District are prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. 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.

b. Basis of accounting

The Regional District follows the accrual method of accounting for revenue and expenses. Revenues are normally recognized in the period when they are earned, can be measured and there is reasonable assurance that they will be collected. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Revenue recognition

Each municipality and electoral area within the Regional District is requisitioned for their portion of each service in which they participate. These funds are then levied by the municipalities and the Province for electoral areas to individual taxpayers and are to be remitted to the Regional District by August 1 of each year. Tax revenues are recognized in the year in which they are levied.

Interest and operating grants are recognized as earned. Capital grants are recognized as revenues in the year in which the 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.

d. Return on investments

Return on investments is recognized as revenue in the period the investment income is earned in. A portion of the return on investments is allocated to all the functions based on the average function balances throughout the year.

e. Financial instruments

All financial assets except derivatives are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Consolidated Statement of Operations and Accumulated Surplus. 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 Consolidated Statement of Operations and Accumulated Surplus. 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, portfolio investments, accounts receivable, deposits - MFA, debt recoverable - member municipalities, accounts payable and accrued liabilities, reserve - MFA and 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.

f. Deferred revenue

Deferred revenue represents amounts received from outside funding sources in anticipation of specific future project expenditures. These amounts are recognized as revenues in the period that the related expenditures are incurred and eligibility criteria are met.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. 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.

h. Debt

Debt is recorded net of related sinking fund balances.

i. 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. Capital projects in progress are not amortized until the tangible capital 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.

j. 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.

k. Provision for landfill closure and post-closure

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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.

m. Segmented information

A segment is defined as a 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 16.

n. 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.

o. 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 consolidated 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 provision for landfill closure and post closure costs, determination of accrued sick benefits and vacation liability, collectibility of accounts receivable, and provisions for commitments, contractual rights and contingent assets. Actual results could differ from estimates. Adjustments, if any, will be reflected in the Consolidated Statement of Operations and Accumulated Surplus in the period of settlement.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

3. PORTFOLIO INVESTMENTS

Portfolio investments are comprised of investments held with the Municipal Finance Authority ("MFA") in money market, intermediate pooled investment funds and with CIBC in a pooled high interest savings account. These investments are carried at market value.

	2018	2017
MFA Money Market Fund	\$ 4,035,914	\$ 3,450,427
MFA Intermediate Fund	43,803,158	45,202,889
CIBC Pooled High Interest Savings Account	7,538,312	-
Total portfolio investments	\$ 55,377,384	\$ 48,653,316

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2018	2017
Federal Government	\$ 118,900	\$ 220,018
Province of British Columbia	49,812	54,034
Local Governments	198	115
Trade	1,680,192	1,636,326
Total accounts receivable	\$ 1,849,102	\$ 1,910,493

5. MUNICIPAL FINANCE AUTHORITY - DEPOSITS AND RESERVES

The MFA provides long term capital financing for Regional Districts and their Member Municipalities. As protection against loan default, the MFA is required to establish a debt reserve fund into which Regional Districts and Member Municipalities contribute amounts set out in each respective loan agreement. Cash deposits (including investment earnings) are an obligation of the MFA to the Regional District. Demand notes are contingent on the MFA calling the outstanding notes in the event of a loan default. Cash deposits of Member Municipalities are not recorded in these consolidated financial statements.

	2018	2017
Regional District		
Cash deposits	\$ 54,960	\$ 52,893

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

6. DEBT RECOVERABLE - MEMBER MUNICIPALITIES

The long-term debt liability in the Consolidated Statement of Financial Position 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:

	2018	2017
Debt recoverable from member municipalities		
City of Prince George	\$ 72,082,023	\$ 79,666,659
Village of Valemount	672,797	726,669
Total debt recoverable - member municipalities	\$ 72,754,820	\$ 80,393,328

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade payables	\$ 1,579,072	\$ 1,468,567
Accrued liabilities	668,651	731,162
Wages payable	1,145,012	1,022,999
Holdbacks	40,090	79,918
Accrued debt interest	18,415	18,223
Total accounts payable and accrued liabilities	\$ 3,451,240	\$ 3,320,869

8. PROVISION FOR LANDFILL CLOSURE AND POST-CLOSURE

The Regional District is responsible for the closure and post-closure care of two landfill sites: Foothills and Mackenzie. 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 provision is based on the sum of discounted future cash out-flows for closure and post-closure activities for 30 years after closure using a discount rate of 3.0% and a projected annual inflation rate of 2.0% for a net discount rate of 1.0%. 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 Foothills Landfill ("Foothills") site is estimated at 4 million cubic metres. The estimated remaining capacity of the landfill site is 1.018 (2017 – 1.115) 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, 2018

8. PROVISION FOR LANDFILL CLOSURE AND POST-CLOSURE (CONTINUED)

Foothills Regional Landfill	2018	2017
Estimated closure costs	\$25,174,069	\$25,003,988
Estimated post-closure costs	3,398,569	2,870,763
Total discounted closure and post-closure costs for Foothills	\$28,572,638	\$27,874,751
Estimated capacity used at Foothills at December 31	74.6 %	72.1 %
Accrued liability for Foothills Regional Landfill	\$21,304,294	\$20,103,626
Accrued liability for Mackenzie Landfill	1,550,000	1,500,000
Total provision for landfill closure and post-closure	\$22,854,294	\$21,603,626

The recorded liability of \$22,854,294 (2017 - \$21,603,626) represents the portion of the estimated total future costs recognized as at December 31, 2018. The Regional District has established Landfill Closure Reserve Funds that are restricted for the purposes of funding future landfill closure and post-closure costs. The balance of this funding as at December 31, 2018, is \$17,643,210 (2017 - \$14,879,510), resulting in a current funding shortfall of \$5,211,084 (2017 - \$6,724,116).

9. DEFERRED REVENUE

	2018	2017
Province of British Columbia	\$ 656,143	\$ 652,233
Sewer parcel taxes	12,250	14,000
Refundable deposits	300	6,050
Total deferred revenue	\$ 668,693	\$ 672,283



REGIONAL DISTRICT of Fraser-Fort George

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

10. DEBT, NET OF SINKING FUNDS

Loan Authorization Bylaw/ Resolution No.	Issue No.	Purpose	Maturing	Interest Rate	2018	2017
MFA Loan Debt						
1816	70	Canoe Valley Rec Centre	2019	2.1%	\$ 17,703	\$ 43,483
1816	71	Canoe Valley Rec Centre	2019	2.1%	25,196	50,555
2249	101	Valemount & District Rescue	2022	2.25%	76,748	95,764
2293	101	Heritage Conservation	2027	2.25%	801,003	877,724
2095	104	West Lake Sewer	2033	2.90%	178,676	187,311
2558	116	Shelley Riverbank Erosion	2036	4.20%	51,622	53,629
2307	118	Adams Road Sewer	2037	3.40%	289,448	299,854
2309	118	Tallus Road Sewer	2037	3.40%	68,980	71,460
2971	141	Robson Valley Learning & Exploration	2042	2.80%	437,385	450,000
2971	146	Robson Valley Learning & Exploration	2043	3.20%	90,910	-
Various	Various	Debt issued for member municipalities	2019 to 2038	1.75% to 5.1%	72,754,820	80,393,328
Subtotal					\$ 74,792,491	\$ 82,523,108

Loan Authorization Bylaw/ Resolution No.	Issue No.	Purpose	Maturing	Interest Rate	2018	2017
MFA Short Term Financing						
1086/13	N/A	Ness Lake VFD	2018	2.79%	\$ -	\$ 24,766
2758	N/A	Tete Jaune Cemetery	2022	2.79%	12,000	12,000
2971	N/A	Robson Valley Learning & Exploration	2022	2.79%	22,100	29,540
Subtotal					\$ 34,100	\$ 66,306

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

10. DEBT, NET OF SINKING FUNDS (CONTINUED)

Loan Authorization Bylaw/Resolution No.	Issue No.	Purpose	Maturing	Interest Rate	2018	2017
MFA Equipment Financing						
344/15	N/A	Beverly VFD	2020	2.79%	\$ 57,692	\$ 94,613
1012/17	N/A	Pineview VFD	2022	2.79%	112,817	139,090
1014/17	N/A	McBride VFD	2022	2.79%	195,761	241,350
1010/17	N/A	Ness Lake VFD	2022	2.79%	138,537	170,800
Subtotal					<u>504,807</u>	<u>645,853</u>
Total Debt, Net of Sinking Funds					<u>\$ 75,331,398</u>	<u>\$ 83,235,267</u>

a. Principal repayments

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 - member municipalities). Principal payments required over the next 5 years and thereafter on the remaining long-term debt obligations are as follows:

Year	Regional District	Member Municipalities	Total Principal Payments
2019	\$ 118,840	\$ 6,115,696	\$ 6,234,536
2020	95,567	6,121,908	6,217,475
2021	95,567	6,128,951	6,224,518
2022	95,567	3,429,032	3,524,599
2023	83,082	3,235,750	3,318,832
Thereafter	2,087,955	47,723,483	49,811,438
Total	<u>\$ 2,576,578</u>	<u>\$ 72,754,820</u>	<u>\$ 75,331,398</u>

b. Interest paid on long-term debt

During the year, gross interest paid or payable on long-term debt was \$4,842,356 (2017 - \$5,300,047). Of this, \$4,745,416 (2017 - \$5,169,682) was recovered from member municipalities and \$96,940 (2017 - \$130,365) was charged to Regional District operations.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

11. CAPITAL PROJECTS IN PROGRESS

Capital projects in progress represents capital works at year-end that have not been completed and are not ready for their intended use or to be amortized.

	2018	2017
Robson Valley Exploration and Learning	\$ -	\$ 112,869
Tete Jaune Cemetery Project	16,188	5,792
Mackenzie Transfer Station	85,773	-
Total capital projects in progress	\$ 101,961	\$ 118,661

12. ACCUMULATED SURPLUS

	2018	2017
Surplus within Regional District services	\$ 9,356,168	\$ 9,571,515
Provision for landfill closure and post closure	(22,854,294)	(21,603,626)
Subtotal - Operating fund deficit	(13,498,126)	(12,032,111)
Reserve funds (Schedule 1)	46,489,346	39,126,879
Equity in Tangible Capital Assets (Schedule 2)	35,415,239	36,068,576
Total accumulated surplus	\$ 68,406,459	\$ 63,163,344

13. 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, 2018 – 3.95%) and is secured by the current borrowing resolution. This facility remained unused at year end.

14. GOVERNMENT TRANSFERS

Government transfers consist of the following:

	2018	2017
Government of Canada	\$ -	\$ 59,278
Province of British Columbia	967,816	989,321
Regional and local governments	70,000	70,000
Other	143,386	144,740
Total government transfers	\$ 1,181,202	\$ 1,263,339

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

15. BUDGET INFORMATION

The budget data presented in these consolidated financial statements is based upon the 2018 Financial Plan bylaw approved by the Board of Directors on March 15, 2018. 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 Consolidated Statement of Operations and Accumulated Surplus 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 Consolidated Statement of Operations and Accumulated Surplus.

The legislation does not require the funding of non-cash items such as amortization or liability provisions 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 Consolidated Statement of Operations and Accumulated Surplus.

Amortization was not contemplated on the development of the approved 2018 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 Consolidated Statement of Operations and Accumulated Surplus:	
Acquisition of tangible capital assets	12,117,000
Principal payments on long-term debt	218,380
Budgeted transfer to reserves	5,322,360
Long-term debt proceeds	(140,000)
Transfer from reserves	(909,060)
Transfer from operating surplus	<u>(7,571,080)</u>
Budgeted Annual Surplus on Consolidated Statement of Operations and Accumulated Surplus	<u><u>\$ 9,037,600</u></u>



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

16. 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 consolidated financial statements. A detailed summary of the 2018 revenues and expenses can be found in Schedule 4, with 2017 comparative information in Schedule 5.

General Government Services

General government is comprised of board and electoral area governance, general administration which includes legislative services, finance, human resources and information technology 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 Services

Transportation services include street lighting.

Environmental Health Services

Environmental health services 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 Services

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

Environmental Development Services

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

16. SEGMENTED INFORMATION (CONTINUED)

Recreation and Cultural Services

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

Fiscal Services

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

17. COMMITMENTS

a. 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, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent 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. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Regional District paid \$481,039 (2017 - \$480,636) for employer contributions while employees contributed \$423,702 (2017 - \$413,812) to the plan in fiscal 2018.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

17. COMMITMENTS (CONTINUED)

b. Reciprocal insurance exchange agreement

The Regional District is a subscribed member of the Municipal Insurance Association of British Columbia (the "Exchange") as provided by Section 3.02 of the Insurance Act of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any subscriber. Under the Reciprocal Insurance Exchange Agreement, the Regional District is assessed a premium and a specific deductible for its claims, based on population. The obligation of the Regional District with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its subscribers in connection with the Exchange are in every case several, and not joint-and-several. The Regional District irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other subscribers against liability losses and costs which the other subscribers may suffer.

c. Litigation

The Regional District is involved from time to time in litigation, which arises in the normal course of operations. Liabilities arising from any litigation are recognized in the consolidated financial statements when the outcome becomes reasonably determinable. In management's judgement, there is no material negative exposure at this time from existing litigations.

d. Community Works Funding

The Regional District receives funding from the Community Works Fund through the Union of British Columbia Municipalities ("UBCM"). As of December 31, 2018, the Regional District had committed \$925,921 of funds from the Community Works Fund reserve to facilitate qualifying capital projects within the Regional District.

18. CONTRACTUAL OBLIGATIONS

The Regional District has entered into various agreements and contracts for the provision of services and payment of grants that extend beyond the current year. Future contractual obligations are estimated as follows:

2019	\$ 8,131,786
2020	4,528,453
2021	2,065,666
2022	1,759,496
2023	65,559
Total	\$ 16,550,960

Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

19. RELATED PARTY TRANSACTIONS

The Fraser-Fort George Regional Hospital District ("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 Letters Patent and authorized by separate legislation. During the year, the Hospital District purchased administrative support services from the Regional District at a cost of \$259,470 (2017 - \$254,380). These transactions are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

20. CONTINGENT ASSETS

As of the date of these consolidated financial statements, there were outstanding insurance claims made by the Regional District. It is the opinion of management that the amount of settlement from these claims cannot be reasonably estimated, and that the likelihood of their outcomes is not determinable at this time. The final determination of these claims is not expected to materially affect the financial position of the Regional District.

21. CONTRACTUAL RIGHTS

The Regional District has entered into various agreements and contracts to provide services to third parties or receive grant funding for approved projects that extend beyond the current year. Based on these agreements and contracts in place at December 31, 2018, future contractual rights are estimated as follows:

2019	\$ 2,411,462
2020	2,922,294
2021	1,944,486
2022	1,942,513
2023	<u>701,316</u>
Total	<u><u>\$ 9,922,071</u></u>

22. COMPARATIVE INFORMATION

Certain 2017 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year. The changes had no impact on prior year surplus.

Schedule 1 - Reserve Funds

	2018	2017
General Capital		
Equipment replacement reserve	\$ 5,957,277	\$ 5,126,686
Truck replacement reserve	3,432,681	2,162,874
Office accomodation	1,378,524	1,146,276
Landfill closure and post-closure	17,643,210	14,879,510
Park development	666,643	629,886
Feasibility study	151,975	149,224
Budget revenue stabilization	613,353	450,256
Park land acquisition	79,045	77,614
Region wide fire protection	48,651	597,096
Cultural endowment	1,352,589	1,361,230
Exploration Place building	88,339	189,173
Total general capital reserves	31,412,287	26,769,825
Water Capital		
Bear Lake Water - equipment	319,153	313,377
Azu Water - equipment	95,925	69,508
Total water capital reserves	415,078	382,885
Sewer Capital		
Tabor Lake Sewer - equipment	7,903	2,184
Buckhorn Sewer - equipment	13,968	13,715
Bendixon Sewer - equipment	5,605	5,503
West Lake Sewer - equipment	67,489	66,258
Adams Rd Sewer - equipment	155,688	152,870
Tallus Rd Sewer - equipment	65,513	64,327
Total sewer capital reserves	316,166	304,857
Operating		
Community Works Fund	4,277,282	3,929,499
General operating	9,672,847	7,420,714
Water operating	135,334	123,008
Sewer operating	260,352	196,091
Total operating reserves	14,345,815	11,669,312
Total reserve funds	\$ 46,489,346	\$ 39,126,879

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

Schedule 2 - Equity in Tangible Capital Assets

	General	Water	Sewer	Consolidated
Balance, beginning of year	\$ 31,254,523	\$ 1,264,113	\$ 3,549,940	\$ 36,068,576
Contributions to tangible capital assets				
Operating funds	180,600	4,164	-	184,764
Reserve funds	220,202	-	-	220,202
Government grants	178,445	-	1,230	179,675
Debt funded	90,000	-	-	90,000
	<u>669,247</u>	<u>4,164</u>	<u>1,230</u>	<u>674,641</u>
Debt repayment and asset disposals				
Actuarial adjustments	61,483	-	5,187	66,670
Proceeds on long-term debt	(90,000)	-	-	(90,000)
Long-term debt principal repaid	271,724	-	16,333	288,057
Interfund advance	-	-	39,810	39,810
Disposal of tangible capital assets	(16,501)	-	-	(16,501)
Amortization of tangible capital assets	<u>(1,447,063)</u>	<u>(39,548)</u>	<u>(129,403)</u>	<u>(1,616,014)</u>
	<u>(1,220,357)</u>	<u>(39,548)</u>	<u>(68,073)</u>	<u>(1,327,978)</u>
Balance, end of year	<u><u>\$ 30,703,413</u></u>	<u><u>\$ 1,228,729</u></u>	<u><u>\$ 3,483,097</u></u>	<u><u>\$ 35,415,239</u></u>

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



REGIONAL DISTRICT
of Fraser-Fort George

Schedule 3 - 2018 Tangible Capital Assets

	Land and Improvements	Buildings	Equipment	Engineering Structures	Historical Artifacts	Sewer Systems	Water Systems	Total 2018
Cost								
Balance, beginning of year	\$ 6,711,745	\$ 23,495,766	\$ 16,068,023	\$ 5,005,977	\$ 231,596	\$ 5,514,264	\$ 1,935,765	\$ 58,963,136
Add: Additions	44,125	437,599	156,554	30,969	-	1,230	4,164	674,641
Less: Disposals	(13,501)	-	(181,570)	-	-	-	-	(195,071)
Balance, end of year	6,742,369	23,933,365	16,043,007	5,036,946	231,596	5,515,494	1,939,929	59,442,706
Accumulated amortization								
Balance, beginning of year	32,154	8,790,661	8,411,411	1,110,696	-	1,202,324	671,652	20,218,898
Add: Amortization	19,612	592,455	735,769	99,227	-	129,402	39,549	1,616,014
Less: Disposals	-	-	(178,570)	-	-	-	-	(178,570)
Balance, end of year	(51,766)	(9,383,116)	(8,968,610)	(1,209,923)	-	(1,331,726)	(711,201)	(21,656,342)
Net book value	6,690,603	14,550,249	7,074,397	3,827,023	231,596	4,183,768	1,228,728	37,786,364
2017 net book value, beginning of year	5,952,664	14,211,575	5,748,930	4,310,566	231,596	4,265,127	1,302,828	36,023,286
2017 net book value, end of year	\$ 5,989,414	\$ 14,705,106	\$ 7,656,613	\$ 4,585,457	\$ 231,596	\$ 4,311,939	\$ 1,264,113	\$ 38,744,238

Schedule 4 - 2018 Segmented Information

December 31, 2018	General government services	Protective services	Transportation services	Environmental health services	Public health and welfare services	Environmental development services	Fiscal services	Recreation and cultural services	2018 Total	2018 Budget
Revenues										
Requisition and parcel taxes	\$ 4,224,030	\$ 3,401,600	\$ 67,240	\$ 3,924,380	\$ 2,681,370	\$ 573,200	\$ -	\$ 4,095,750	\$ 18,967,570	\$ 18,967,570
Municipal debt recovery	-	-	-	-	-	-	11,065,979	-	11,065,979	11,161,340
Sale of services, utilities and rentals	121,782	391,963	-	5,856,286	1,296,001	-	-	82,076	7,748,108	8,011,860
Government transfers	2,095,887	55,929	3,660	28,590	-	146,572	-	126,590	2,457,228	9,082,490
Other revenue	1,294,188	222,041	1,096	69,897	374	31,300	-	206,188	1,825,084	700,640
Total revenues	7,735,887	4,071,533	71,996	9,879,153	3,977,745	751,072	11,065,979	4,510,604	42,063,969	47,923,900
Expenses										
Salaries and wages	2,773,724	595,861	-	1,599,578	641,500	445,168	-	896,951	6,952,782	8,238,430
Debt charges - Regional District	-	13,759	-	34,926	5,890	-	-	75,384	129,959	152,980
Debt charges - Municipal	-	-	-	-	-	-	11,065,979	-	11,065,979	11,161,340
Amortization	196,755	591,889	-	320,120	220,753	-	-	286,497	1,616,014	-
Other expenses	3,131,756	2,178,588	73,799	5,858,966	2,641,605	100,413	-	3,070,993	17,056,120	19,333,550
Total expenses	6,102,235	3,380,097	73,799	7,813,590	3,509,748	545,581	11,065,979	4,329,825	36,820,854	38,886,300
Annual surplus (deficit)	\$ 1,633,652	\$ 691,436	\$ (1,803)	\$ 2,065,563	\$ 467,997	\$ 205,491	\$ -	\$ 180,779	\$ 5,243,115	\$ 9,037,600

Schedule 5 - 2017 Segmented Information

December 31, 2017	General government services	Protective services	Transportation services	Environmental health services	Public health and welfare services	Environmental development services	Fiscal services	Recreation and cultural services	2017 Total	2017 Budget
Revenues										
Requisition and parcel taxes	\$ 4,169,730	\$ 3,296,210	\$ 66,700	\$ 4,060,140	\$ 2,594,210	\$ 541,830	\$ -	\$ 3,992,380	\$ 18,721,200	\$ 18,721,200
Municipal debt recovery	-	-	-	-	-	-	11,618,295	-	11,618,295	12,025,200
Sale of services, utilities and rentals	70,846	834,803	-	6,346,444	1,093,435	-	-	84,323	8,429,851	6,301,150
Government transfers	2,076,155	33,150	3,566	-	-	150,000	-	256,290	2,519,161	9,075,840
Other revenue	864,269	208,821	1,066	45,684	2,370	49,975	-	63,621	1,235,806	1,121,610
Total revenues	7,181,000	4,372,984	71,332	10,452,268	3,690,015	741,805	11,618,295	4,396,614	42,524,313	47,245,000
Expenses										
Salaries and wages	2,704,780	487,782	-	1,530,515	599,116	468,551	-	904,957	6,695,701	7,946,071
Debt charges - Regional District	-	2,479	-	35,561	11,318	-	-	104,259	153,617	149,580
Debt charges - Municipal	-	-	-	-	-	-	11,618,295	-	11,618,295	12,025,200
Amortization	190,235	608,572	-	316,488	228,990	-	-	245,864	1,590,149	-
Other expenses	2,572,706	2,185,039	72,242	5,771,930	2,584,655	111,991	-	2,875,743	16,174,306	18,681,719
Total expenses	5,467,721	3,283,872	72,242	7,654,494	3,424,079	580,542	11,618,295	4,130,823	36,232,068	39,219,130
Annual surplus (deficit)	\$ 1,713,279	\$ 1,089,112	\$ (910)	\$ 2,797,774	\$ 265,936	\$ 161,263	\$ -	\$ 265,791	\$ 6,292,245	\$ 8,442,430



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