

REGIONAL DISTRICT OF KITIMAT-STIKINE

FINANCIAL STATEMENTS

DECEMBER 31, 2016

REGIONAL DISTRICT OF KITIMAT-STIKINE

FINANCIAL STATEMENTS

DECEMBER 31, 2016

INDEPENDENT AUDITOR'S REPORT

STATEMENT

A STATEMENT OF FINANCIAL POSITION

B STATEMENT OF FINANCIAL ACTIVITIES

C STATEMENT OF CASH FLOWS

D STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (LIABILITIES)

NOTES

SCHEDULE

1. Statement of Surplus
2. Statement of Reserve Funds
3. Statement of Changes in Capital Fund Equity
4. Schedule of Physical Assets
5. Statement of Expenditure by Type

**INDEPENDENT AUDITOR'S REPORT****To the Directors****Regional District of Kitimat-Stikine****Report on the Financial Statements**

We have audited the accompanying statement of financial position of the Regional District of Kitimat-Stikine as at December 31, 2016 and the statements of financial activities, cash flows and changes in net financial assets (liabilities) for the year then ended and a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the audit in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2016 and the results of its operations, cash flows and changes in net financial assets (liabilities) for the year then ended in accordance with Canadian public sector accounting standards.

Supplementary information

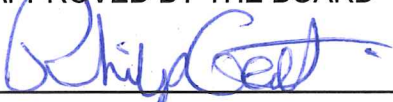
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Regional District taken as a whole. The current year's supplementary information in schedules 1 to 5 is presented for purposes of additional analysis. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all materially respects, in relation to the financial statements taken as a whole

Terrace, BC
April 21, 2017

REGIONAL DISTRICT OF KITIMAT-STIKINE
STATEMENT OF FINANCIAL POSITION
 December 31
STATEMENT A

	2016	2015
	\$	\$
Financial Assets		
Cash and Investments (Note 1)	7,675,619	5,646,287
Trade and Other Receivables (Note 2)	2,874,925	5,166,848
MFA Deposit (Note 3)	271,954	109,058
Due from Municipalities for Debt	<u>5,348,645</u>	<u>5,671,069</u>
	16,171,143	16,593,262
Liabilities		
Accounts Payable and Accrued Liabilities	3,492,189	1,895,487
Due to DaSilva Developments Ltd. (Note 7)	1,225,000	1,645,000
Landfill Closure Cost Accrual (Note 8)	2,121,081	3,348,119
Deferred Revenue (Note 4)	2,323,591	4,555,574
MFA Debt Reserve (Note 3)	271,954	109,058
Debentures issued for Regional District (Note 5)	16,915,143	1,215,427
Debentures issued for Municipalities (Note 6)	<u>5,348,645</u>	<u>5,671,069</u>
	31,697,603	18,439,735
Net financial assets (liabilities)	(15,526,460)	(1,846,473)
Physical Assets (Note 1 and Schedule 4)	<u>36,874,269</u>	<u>20,444,325</u>
	<u>21,347,809</u>	<u>18,597,852</u>
Regional District Position		
Operating Surplus (Note 11) (Schedule 1)	3,497,718	3,368,121
Reserve Funds (Schedule 2)	1,093,722	1,133,648
Equity in Physical Assets (Note 1) (Schedule 3)	<u>16,756,369</u>	<u>14,096,083</u>
Fund Balances	<u>21,347,809</u>	<u>18,597,852</u>

APPROVED BY THE BOARD

 CHAIR

 TREASURER

REGIONAL DISTRICT OF KITIMAT-STIKINE
STATEMENT OF FINANCIAL ACTIVITIES
Year Ended December 31
STATEMENT B

	Unaudited Budget 2016	Audited Actual 2016	Audited Actual 2015
	\$	\$	\$
REVENUES			
Taxation	8,324,806	8,345,277	6,363,062
Grants in Lieu	0	33,856	22,947
Government Grants	6,817,798	3,916,028	3,723,434
Sale of Services	3,840,092	2,761,240	3,518,144
Return on Investments	80,151	62,155	90,689
Municipal Debt Payments	<u>532,864</u>	<u>532,864</u>	<u>532,864</u>
	19,595,711	15,651,420	14,251,140
EXPENDITURES			
Copperside Estates Street Lighting	6,077	7,142	5,802
Dease Lake Fire Protection	217,103	109,801	62,321
Economic Development	291,205	162,422	82,639
Emergency Measures Program	314,000	209,794	230,363
Feasibility Studies	438,451	101,297	36,631
General Government	2,188,279	1,861,311	1,600,887
General Government - Unorganized Areas	49,000	59,261	62,401
Gossan Creek Subdivision Street Lighting	650	457	459
Hazelton Library	99,920	99,820	99,840
Hazelton Rural Fire Protection	202,014	22,701	20,094
Hazelton Transit	133,966	109,819	273,558
Hazelton & Stewart Area Solid Waste Management	2,277,075	989,639	0
Heritage Register	16,222	1,437	657
House Numbering	16,050	10,360	8,463
Kitwanga Community Association	30,750	30,750	29,390
Lakelse Lake Street Lighting	1,598	460	389
M. K. Bay Marina	686,062	691,787	35,922
New Remo Dyke/Streetlighting	872	1,296	872
Noise, Nuisance, Unsightly Premises Bylaw	29,750	19,364	15,510
Planning Services	943,337	652,249	543,465
Preparation for Emergencies	146,047	161,301	129,066
Recreation and Cemetery Cost Sharing	668,356	641,816	609,064
Refuse Sites	0	0	3,518,513
Regional 911 Telephone System	685,396	494,331	512,400
Security Alarm System	616	616	0
Skeena Fire Protection	674,045	646,416	608,753
Skeena Ice Arena	580,152	209,788	241,501
Skeena Regional Transit	308,369	289,046	299,309
Skeena Television Rebroadcasting	26,740	26,740	29,449
South West Lakeside Grant in Aid	4,050	4,050	4,050
South Hazelton Fire Protection	160,389	20,848	21,659
South Hazelton Parks and Recreation	6,941	1,515	2,542
South Hazelton Street Lighting	15,750	15,766	13,930
South Hazelton Water System	119,720	250,152	140,736
Terrace Library Cost Sharing	201,521	211,440	194,742
Terrace Rural Water System	95,726	91,201	108,775
Terrace Area Solid Waste Management	4,090,103	2,145,654	0

REGIONAL DISTRICT OF KITIMAT-STIKINE
STATEMENT OF FINANCIAL ACTIVITIES
Year Ended December 31
STATEMENT B

EXPENDITURES (continued)

Thornhill Community Centre	125,199	56,449	52,398
Thornhill Dog Control	203,739	166,728	184,141
Thornhill Parks and Recreation	190,870	110,457	53,475
Thornhill Street Lighting	118,600	102,872	89,819
Thornhill Water System	708,453	468,479	407,041
Queensway/Churchill Drive Sewer System	100,096	95,515	58,402
Urban Transit	145,049	140,269	166,894
Thornhill Core Sewer	31,500	104,006	66,262
Amortization / loss on disposal of assets	0	611,025	497,439
Cost of borrowing	0	160,952	0
Municipal Debt Payments	<u>532,864</u>	<u>532,864</u>	<u>532,864</u>
Total Expenditures	17,882,672	12,901,463	11,652,887
Revenue Over Expenditures	1,713,039	2,749,957	2,598,253
Opening Regional District Position	<u>18,597,852</u>	<u>18,597,852</u>	<u>15,999,599</u>
Closing Regional District Position	<u>20,310,891</u>	<u>21,347,809</u>	<u>18,597,852</u>

REGIONAL DISTRICT OF KITIMAT-STIKINE
STATEMENT OF CASH FLOWS
Year Ended December 31
STATEMENT C

	2016	2015
	\$	\$
Operations:		
Excess of Revenue over Expenditures	2,749,957	2,598,253
Amortization / loss on disposal of assets	611,025	497,439
Trade and Other Receivables	2,291,923	(3,469,016)
Accounts Payable and Accrued Liabilities	369,663	1,785,600
Deferred Revenue	<u>(2,231,983)</u>	<u>1,423,392</u>
	<u>3,790,585</u>	<u>2,835,668</u>
Financing Activities:		
MFA Debenture debt	15,699,716	(57,965)
Due to DaSilva Developments Ltd.	<u>(420,000)</u>	<u>(420,000)</u>
	<u>15,279,716</u>	<u>(477,965)</u>
Investing Activities:		
Physical asset purchases	<u>(17,040,969)</u>	<u>(5,275,799)</u>
Change in Cash	2,029,332	(2,918,096)
Opening Cash and Investments	<u>5,646,287</u>	<u>8,564,383</u>
Closing Cash and Investments	<u>7,675,619</u>	<u>5,646,287</u>

REGIONAL DISTRICT OF KITIMAT-STIKINE
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS/(LIABILITIES)
Year Ended December 31
STATEMENT D

	2016 \$	2015 \$
Revenue over expenditures	2,749,957	2,598,253
Amortization / loss on disposal of assets	611,025	497,439
Physical asset purchases	<u>(17,040,969)</u>	<u>(5,275,799)</u>
Increase (decrease) in net financial assets (liabilities)	(13,679,987)	(2,180,107)
Opening net financial assets (liabilities)	<u>(1,846,473)</u>	<u>333,634</u>
Closing net financial assets (liabilities)	<u>(15,526,460)</u>	<u>(1,846,473)</u>

REGIONAL DISTRICT OF KITIMAT-STIKINE

NOTES

DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

The Regional District maintains the following funds that are combined in the financial statements:

- Operating fund reports the general activities of the Regional District.
- Capital fund reports the physical assets of the Regional District together with the related financing.
- Reserve fund reports the activities of the funds established by bylaw for specific purposes.

Basis of accounting

Revenue and expenditures are reported on an accrual basis.

Revenue recognition

Taxation revenues are recognized when received from the Province of British Columbia and member Municipalities. Sale of services and user fee revenues are recognized when the service or products are provided by the Regional District. Grant revenues are recognized when the commitments are met.

Financial instruments

It is management's opinion that the Regional District's financial instruments are not exposed to significant interest rate, liquidity, market or other price risks. The Regional District measures financial assets and liabilities at market value at the date of acquisition.

Cash and investments

Cash and investments are reported at market value which approximates cost.

REGIONAL DISTRICT OF KITIMAT-STIKINE

NOTES

DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Physical assets

Physical assets are recorded at cost and are amortized using the straight-line method as follows:

Buildings	25 and 40 years
Automotive	10 and 20 years
Equipment	10 and 20 years
Infrastructure	40 years

Equity In Physical Assets

Equity in physical assets reflects the accumulated funded historical cost of physical assets less accumulated amortization.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

2. TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
Provincial and Federal governments	1,527,514	4,045,062
Regional/local governments and First Nations	432,697	802,707
Trade receivables	430,783	111,510
Equipment Leases	313,738	0
Other	170,193	207,569
	2,874,925	5,166,848

3. MFA DEPOSIT AND DEBT RESERVE

A condition of MFA borrowings stipulates that a portion of the debenture proceeds be withheld as a security deposit and a debt reserve fund.

REGIONAL DISTRICT OF KITIMAT-STIKINE

NOTES

DECEMBER 31, 2016

4. DEFERRED REVENUE

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

	2016	2015
	\$	\$
Federal gas tax	2,095,436	2,816,120
Kemano MOU tax in lieu	36,030	54,542
MIA risk management grant	0	30,000
Gas Tax Grant-Hazelton area projects	184,367	1,650,064
Other	7,758	4,848
	2,323,591	4,555,574

5. DEBENTURES ISSUED FOR REGIONAL DISTRICT

Debenture debt with the Municipal Finance Authority is being repaid in accordance with approved bylaws and agreements.

6. DEBENTURES ISSUED FOR MUNICIPALITIES

When a member municipality within the Regional District wishes to issue debenture debt through the Municipal Finance Authority of BC (MFA), the borrowing is done through the Regional District. The Regional District is therefore responsible for repayment of the debt to MFA. When payments (principal and interest) are made on this debt, the Regional District pays MFA and is reimbursed by the municipality.

The Regional District reports the outstanding debt borrowed on behalf of the member municipalities as both a financial asset and financial liability. Municipal debt payments are shown as revenue and offsetting expenditure.

REGIONAL DISTRICT OF KITIMAT-STIKINE

NOTES

DECEMBER 31, 2016

7. PAYABLE TO DASILVA DEVELOPMENTS LTD

The Regional District entered into a sale agreement with DaSilva Developments Ltd for the purchase of an office building located at 4545 Lazelle Ave, Terrace, BC. The term is for five years with three years left with monthly payments of \$35,000 plus interest at TD Canada Trust prime percent per annum.

8. LANDFILL CLOSURE COST ACCRUAL

The Regional District is responsible for closing six landfills in accordance with Ministry of Environment regulations. A comprehensive closure plan has being prepared for some of the landfills. Management has prepared its estimates using the comprehensive closure plan prepared and extrapolating the closure costs for the other landfills.

9. PENSION INFORMATION

The Regional District and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are 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 valuations for the Municipal Pension Plan as of December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis.

REGIONAL DISTRICT OF KITIMAT-STIKINE

NOTES

DECEMBER 31, 2016

9. PENSION INFORMATION (continued)

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.

10. PURPOSE OF ORGANIZATION

The Regional District provides local government services to an area of 100,000km² in northwestern British Columbia. Member municipalities are Kitimat, Terrace, Stewart, Hazelton and New Hazelton.

The Regional District administers over 40 "functions" or services ranging from rural land use planning, to a community water system, to fire protection, to library services.

11. PRIOR PERIOD RESTATEMENT

In the current year, it was determined that the Regional Trust fund, which had been reported as deferred revenue, was internally restricted surplus. As a result, the 2015 opening surplus has been restated by an increase of \$336,946 with a corresponding decrease in liabilities.

REGIONAL DISTRICT OF KITIMAT-STIKINE

STATEMENT OF SURPLUS

Year Ended December 31

SCHEDULE 1

	2016	2015
	\$	\$
Copperside Estates Street Lighting	(2,610)	(1,719)
Dease Lake Fire Protection	73,117	127,103
Economic Development	160,348	191,515
Emergency Measures Program	173,978	93,869
Feasibility Studies	326,761	343,370
General Government	361,419	358,387
General Government - Unorganized Areas	(9,936)	5,477
Gossan Creek Subdivision Street Lighting	192	191
Hazleton & Stewart Area Solid Waste Management	538,935	0
Hazleton Library	100	160
Hazleton Rural Fire Protection	179,313	156,014
Hazleton Transit	(9,743)	(3,655)
Heritage Register	14,785	14,043
House Numbering	5,690	(1,913)
Kitwanga Community Association	15	260
Lakelse Lake Street Lighting	1,139	560
M. K. Bay Marina	0	686,062
New Remo Dyke/Streetlighting	110,282	101,660
Noise, Nuisance, Unsightly Premises Bylaw	10,512	17,636
Planning Services	300,300	314,924
Preparation for Emergencies	(15,255)	10,147
Recreation and Cemetery Cost Sharing	27,121	(14,568)
Refuse Sites	0	(456,055)
Regional Trust	391,488	336,946
Regional 911 Emergency Telephone System	182,133	132,589
Security Alarm System	0	616
Skeena Fire Protection	15,861	101,004
Skeena Ice Arena	360,367	465,348
Skeena Regional Transit	11,247	13,938
Skeena Television Rebroadcasting	0	60
South Hazelton Fire Protection	138,433	133,989
South Hazelton Parks and Recreation	5,427	4,941
South Hazelton Street Lighting	(16)	1,820
South Hazelton Water System	(162,575)	(195,476)
Terrace Area Solid Waste Management	1,082	0
Terrace Library Cost Sharing	(9,729)	8,349
Terrace Rural Water System	(5,927)	(26,019)
Thornhill Community Centre	68,633	76,123
Thornhill Dog Control	36,818	21,727
Thornhill Parks and Recreation	80,446	135,233
Thornhill Street Lighting	15,728	28,781
Thornhill Water System	98,119	177,999
Queensway/Churchill Drive Sewer System	18,803	19,509
Thornhill Core Sewer	-	(14,402)
Urban Transit	<u>4,917</u>	<u>1,578</u>
	<u>3,497,718</u>	<u>3,368,121</u>

REGIONAL DISTRICT OF KITIMAT-STIKINE
STATEMENT OF RESERVE FUNDS
Year Ended December 31
SCHEDULE 2

	2016 \$	2015 \$
Opening balance	1,133,648	883,648
Transfer from operating funds	300,000	250,000
Transfers to operating funds	<u>(339,926)</u>	<u>0</u>
Closing balance	<u>1,093,722</u>	<u>1,133,648</u>
Represented by the following reserve funds:		
Thornhill Dog Control	35,797	35,797
Skeena Fire Protection	681,772	816,000
M.K. Bay Marina	0	5,698
Queensway/Churchill Drive Sewer system	113,400	113,400
Thornhill Water Utility	<u>262,753</u>	<u>162,753</u>
	<u>1,093,722</u>	<u>1,133,648</u>

REGIONAL DISTRICT OF KITIMAT-STIKINE
STATEMENT OF CHANGES IN EQUITY IN PHYSICAL ASSETS
Year Ended December 31
SCHEDULE 3

	2016	2015
	\$	\$
Opening Balance	14,096,083	12,311,573
Increase in equity		
Debt repayment	473,701	473,701
Actuarial additions	10,583	8,264
Transfers from Operating Fund	2,947,979	1,799,984
Cost of borrowing	(160,952)	0
Amortization / loss on disposal of assets	<u>(611,025)</u>	<u>(497,439)</u>
Closing Balance	<u>16,756,369</u>	<u>14,096,083</u>

REGIONAL DISTRICT OF KITIMAT-STIKINE
SCHEDULE OF PHYSICAL ASSETS
Year Ended December 31
SCHEDULE 4

	PHYSICAL ASSETS			ACCUMULATED AMORTIZATION				NET BOOK VALUE		
	Opening Balance \$	Additions \$	Disposals	Closing Balance \$	Opening Balance \$	Annual Amortization \$	Disposals	Closing Balance \$	2016 \$	2015 \$
Land	633,685	0	0	633,685	0	0	0	0	633,685	633,685
Buildings	3,599,044	480,601	0	4,079,645	805,377	91,506	0	896,883	3,182,762	2,793,667
Machinery & Equipment	1,425,313	526,351	116,936	1,834,728	1,073,565	92,128	108,713	1,056,980	777,748	351,748
Infrastructure	19,227,017	16,034,017	0	35,261,034	2,561,792	419,168	0	2,980,960	32,280,074	16,665,225
	24,885,059	17,040,969	116,936	41,809,092	4,440,734	602,802	108,713	4,934,823	36,874,269	20,444,325

REGIONAL DISTRICT OF KITIMAT-STIKINE
STATEMENT OF EXPENDITURES BY TYPE
Year Ended December 31
SCHEDULE 5

	2016	2015
	\$	\$
Director remuneration	186,372	184,570
Director travel and expenses	92,948	91,652
Staff remuneration and benefits	2,202,557	1,806,270
Staff travel and education	186,535	201,665
Grants and Cost Sharing	1,156,222	1,200,280
Vehicle operation	145,932	101,466
Utilities	299,819	260,455
Insurance and property taxes	144,932	152,005
Interest	191,126	105,262
Debt payments	473,701	473,701
Purchased services and supplies	6,685,653	6,045,258
Amortization / loss on disposal of assets	602,802	497,439
Municipal Debt Payments	<u>532,864</u>	<u>532,864</u>
	<u>12,901,463</u>	<u>11,652,887</u>