

**REGIONAL DISTRICT OF KITIMAT-STIKINE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Regional District of Kitimat-Stikine

### Opinion

We have audited the financial statements of the Regional District of Kitimat-Stikine, which comprise the statement of financial position as at December 31, 2018 and the statements of financial activities, cash flows, changes in net financial assets (liabilities), and schedules one to five for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2018 and the results of its operations and 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. 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.

### Auditor's Responsibility 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 auditor's 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 these financial statements.

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

### Responsibilities of Management and Directors 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.

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 conditions exist that do not allow for the going concern basis to be used.

The Board of Directors is responsible for overseeing the Regional District's financial reporting process.

Terrace, BC  
June 21, 2019

*Carlyle Shepherd & Co.*

**REGIONAL DISTRICT OF KITIMAT-STIKINE  
STATEMENT OF FINANCIAL POSITION**

December 31  
**STATEMENT A**

	2018	2017
	\$	\$
<b>Financial Assets</b>		
Cash and Investments (Note 1)	8,919,157	9,970,322
Trade and Other Receivables (Note 2)	5,099,527	4,101,931
MFA Deposit (Note 3)	371,717	329,533
Due from Municipalities for Debt	<u>7,164,593</u>	<u>5,013,326</u>
	21,554,994	19,415,112
 <b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	5,616,815	4,138,739
Due to DaSilva Developments Ltd. (Note 7)	385,000	805,000
Landfill Closure Cost Accrual (Note 8)	718,526	1,422,055
Deferred Revenue (Note 4)	4,323,494	2,588,564
MFA Debt Reserve (Note 3)	371,717	329,533
Debentures issued for Regional District (Note 5)	21,547,585	21,408,748
Debentures issued for Municipalities (Note 6)	<u>7,164,593</u>	<u>5,013,326</u>
	40,127,730	35,705,965
 <b>Net financial assets (liabilities)</b>	-18,572,736	-16,290,853
 <b>Physical Assets (Note 1 and Schedule 4)</b>	<u>58,251,530</u>	<u>47,055,915</u>
	<u>39,678,794</u>	<u>30,765,062</u>
 <b>Regional District Position</b>		
Operating Surplus (Schedule 1)	3,990,340	5,116,027
Reserve Funds (Schedule 2)	569,508	382,908
Equity in Physical Assets (Note 1) (Schedule 3)	<u>35,118,946</u>	<u>25,266,127</u>
 <b>Fund Balances</b>	<u>39,678,794</u>	<u>30,765,062</u>

APPROVED BY THE BOARD

 CHAIR

 TREASURER

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

	Unaudited Budget 2018	Audited Actual 2018	Audited Actual 2017
	\$	\$	\$
<b>REVENUES</b>			
Taxation	8,908,396	8,906,230	8,524,788
Grants in Lieu	0	41,315	56,249
Government Grants	8,140,612	8,556,758	7,653,310
Skeena Ice Arena Donations	1,419,137	2,625,508	1,630,400
Sale of Services	4,705,737	4,633,921	4,529,407
Return on Investments	47,050	146,468	63,874
Municipal Debt Payments	<u>532,864</u>	<u>521,423</u>	<u>539,765</u>
	23,753,796	25,431,623	22,997,793
<b>EXPENDITURES</b>			
Copperside Estates Street Lighting	6,250	8,175	7,559
Dease Lake Fire Protection	108,898	89,186	83,052
Economic Development	432,714	244,976	166,994
Emergency Measures Program	490,495	832,729	256,401
Feasibility Studies	345,921	135,941	92,259
General Government	2,078,516	1,941,220	1,799,525
General Government - Unorganized Areas	95,985	79,592	37,619
Gossan Creek Subdivision Street Lighting	650	426	240
Hazelton Library	99,780	99,860	99,840
Hazelton Rural Fire Protection	49,159	24,563	22,154
Hazelton Transit	280,789	192,439	125,569
Hazelton & Stewart Area Solid Waste Management	2,237,800	1,643,891	1,418,282
Heritage Register	19,700	18,901	29,651
House Numbering	23,326	7,448	5,187
Kitwanga Community Association	32,814	32,764	30,700
Lakelse Lake Street Lighting	1,468	531	530
New Remo Dyke/Streetlighting	183,993	63,836	1,653
Noise, Nuisance, Unsightly Premises Bylaw	23,326	14,694	18,745
Planning Services	937,876	758,677	593,343
Preparation for Emergencies	159,954	139,052	159,954
Recreation and Cemetery Cost Sharing	711,468	706,220	574,385
Regional 911 Telephone System	713,738	683,056	547,617
Skeena Fire Protection	744,492	890,582	633,256
Skeena Ice Arena	627,589	247,791	188,264
Skeena Regional Transit	390,223	330,324	299,633
Skeena Television Rebroadcasting	26,528	25,608	27,540
South West Lakeside Grant in Aid	5,850	5,920	4,120
South Hazelton Fire Protection	62,652	20,152	19,781

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

**EXPENDITURES (continued)**

South Hazelton Parks and Recreation	9,454	4,317	1,973
South Hazelton Street Lighting	15,850	16,786	16,230
South Hazelton Water System	143,638	113,544	95,102
Terrace Library Cost Sharing	228,396	229,033	216,987
Terrace Rural Water System	115,804	97,218	99,071
Terrace Area Solid Waste Management	3,260,222	2,682,780	2,586,810
Thornhill Community Centre	99,008	75,011	149,327
Thornhill Dog Control	218,571	169,323	165,601
Thornhill Parks and Recreation	103,995	67,844	154,653
Thornhill Street Lighting	110,535	108,478	105,633
Thornhill Water System	615,734	631,588	548,898
Queensway/Churchill Drive Sewer System	637,725	1,109,905	140,683
Urban Transit	150,731	148,379	151,621
Thornhill Core Sewer	62,660	62,660	61,059
Amortization	1,250,000	1,230,748	1,251,574
Cost of borrowing	0	10,300	51,700
Municipal Debt Payments	<u>532,864</u>	<u>521,423</u>	<u>539,765</u>
Total Expenditures	18,447,141	16,517,891	13,580,540
Revenue Over Expenditures	5,306,655	8,913,732	9,417,253
Opening Regional District Position	<u>30,765,062</u>	<u>30,765,062</u>	<u>21,347,809</u>
Closing Regional District Position	<u>36,071,717</u>	<u>39,678,794</u>	<u>30,765,062</u>

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

	2018	2017
	\$	\$
<b>Operations:</b>		
Revenue over Expenditures	8,913,732	9,417,253
Amortization	1,230,748	1,251,574
Trade and Other Receivables	-997,596	-1,227,006
Accounts Payable and Accrued Liabilities	774,547	-52,473
Deferred Revenue	<u>1,734,930</u>	<u>264,973</u>
	<u>11,656,361</u>	<u>9,654,321</u>
<b>Financing Activities:</b>		
MFA Debenture debt	138,837	4,493,605
Due to DaSilva Developments Ltd.	<u>-420,000</u>	<u>-420,000</u>
	<u>-281,163</u>	<u>4,073,605</u>
<b>Investing Activities:</b>		
Physical asset purchases	<u>-12,426,363</u>	<u>-11,433,223</u>
Change in Cash	-1,051,165	2,294,703
Opening Cash and Investments	<u>9,970,322</u>	<u>7,675,619</u>
Closing Cash and Investments	<u>8,919,157</u>	<u>9,970,322</u>

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Revenue over expenditures	8,913,732	9,417,253
Amortization	1,230,748	1,251,577
Physical asset purchases	<u>-12,426,363</u>	<u>-11,433,223</u>
Increase (decrease) in net financial assets (liabilities)	-2,281,883	-764,393
Opening net financial assets (liabilities)	<u>-16,290,853</u>	<u>-15,526,460</u>
Closing net financial assets (liabilities)	<u>-18,572,736</u>	<u>-16,290,853</u>

# REGIONAL DISTRICT OF KITIMAT-STIKINE

## NOTES

DECEMBER 31, 2018

### 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.

#### **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.

REGIONAL DISTRICT OF KITIMAT-STIKINE

NOTES

DECEMBER 31, 2018

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.

2. TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Provincial and Federal governments	3,592,490	2,766,687
Regional/local governments and First Nations	310,373	315,961
Trade receivables	441,363	365,417
Equipment Leases	213,603	266,973
Other	541,698	386,893
	<u>5,099,527</u>	<u>4,101,931</u>

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, 2018

#### 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.

	2018	2017
	\$	\$
Federal gas tax	3,115,733	2,575,501
Skeena Ice Arena construction	1,200,000	-
Other	7,761	13,063
	<u>4,323,494</u>	<u>2,588,564</u>

#### 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.

#### 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. Monthly payments are \$35,000 plus interest at TD Canada Trust prime percent per annum. The obligation will be fully repaid in the 2019 fiscal year.

## REGIONAL DISTRICT OF KITIMAT-STIKINE

### NOTES

DECEMBER 31, 2018

#### 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 been 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, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 38,000 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 valuations for the Municipal Pension Plan as of December 31, 2016, 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. The remaining surplus was retained to ensure the required contribution rates remain unchanged. 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 100,000km<sup>2</sup> 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.

**REGIONAL DISTRICT OF KITIMAT-STIKINE**  
**STATEMENT OF SURPLUS**  
Year Ended December 31  
**SCHEDULE 1**

	2018	2017
	\$	\$
Copperside Estates Street Lighting	-5,845	-3,920
Dease Lake Fire Protection	23,550	18,898
Economic Development	202,378	162,144
Emergency Measures Program	-66,279	157,358
Feasibility Studies	209,980	295,921
General Government	698,180	476,900
General Government - Unorganized Areas	18,895	26,985
Gossan Creek Subdivision Street Lighting	224	410
Hazleton & Stewart Area Solid Waste Management	965,650	1,219,821
Hazleton Library	-80	20
Hazleton Rural Fire Protection	24,596	203,159
Hazleton Transit	-37,047	-43,196
Heritage Register	799	12,334
House Numbering	15,879	12,776
Kitwanga Community Association	65	64
Lakelse Lake Street Lighting	937	1,068
New Remo Dyke/Streetlighting	64,157	118,464
Noise, Nuisance, Unsightly Premises Bylaw	17,192	9,304
Planning Services	190,993	276,023
Preparation for Emergencies	5,084	7,869
Recreation and Cemetery Cost Sharing	6,042	81,468
Regional Trust	180,022	491,030
Regional 911 Emergency Telephone System	39,675	169,491
Skeena Fire Protection	-39,319	-208,005
Skeena Ice Arena	812,131	1,614,978
Skeena Regional Transit	51,093	24,826
Skeena Television Rebroadcasting	920	0
South Hazelton Fire Protection	42,500	140,652
South Hazelton Parks and Recreation	5,136	5,454
South Hazelton Street Lighting	-935	-480
South Hazelton Water System	-5,357	-74,331
Southwest Lakeview Grant-in-aid	-70	-70
Terrace Area Solid Waste Management	685,483	-402,051
Terrace Library Cost Sharing	-564	6,952
Terrace Rural Water System	17,851	6,155
Thornhill Community Centre	-91,384	-37,243
Thornhill Dog Control	51,088	42,173
Thornhill Parks and Recreation	36,205	9,660
Thornhill Street Lighting	2,057	8,095
Thornhill Water System	-68,322	-8,337
Queensway/Churchill Drive Sewer System	-65,716	292,500
Thornhill Core Sewer	0	1,599
Urban Transit	<u>2,496</u>	<u>-891</u>
	<u>3,990,340</u>	<u>5,116,027</u>

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

	2018	2017
	\$	\$
Opening balance	382,908	1,093,722
Transfer from operating funds	300,000	75,000
Transfers to operating funds	<u>-113,400</u>	<u>-785,814</u>
<hr/>		
Closing balance	<u>569,508</u>	<u>382,908</u>
Represented by the following reserve funds:		
Thornhill Dog Control	35,797	35,797
Hazelton Rural Fire Protection	200,000	0
South Hazelton Fire Protection	100,000	0
Queensway/Churchill Drive Sewer system	0	113,400
Thornhill Water Utility	<u>233,711</u>	<u>233,711</u>
	<u>569,508</u>	<u>382,908</u>

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Opening Balance	25,266,127	16,756,369
<hr/>		
Increase (decrease) in equity		
Debt repayment	1,279,805	1,087,400
Actuarial additions	35,358	12,994
Transfers from Operating Fund	9,778,704	8,712,638
Cost of borrowing	-10,300	-51,700
Amortization	<u>-1,230,748</u>	<u>-1,251,574</u>
 Closing Balance	 <u>35,118,946</u>	 <u>25,266,127</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 \$	Closing Balance \$	Opening Balance \$	Annual Amortization \$	Closing Balance \$	2018 \$	2017 \$
Land	633,685	0	633,685	0	0	0	633,685	633,685
Buildings	15,746,645	11,830,036	27,576,681	1,082,746	185,863	1,268,609	26,308,072	14,663,899
Machinery & Equipment	3,010,025	0	3,010,025	1,069,104	163,223	1,232,327	1,777,698	1,940,921
Infrastructure	33,680,032	596,327	34,276,359	3,862,622	881,662	4,744,284	29,532,075	29,817,410
	<u>53,070,387</u>	<u>12,426,363</u>	<u>65,496,750</u>	<u>6,014,472</u>	<u>1,230,748</u>	<u>7,245,220</u>	<u>58,251,530</u>	<u>47,055,915</u>

**REGIONAL DISTRICT OF KITIMAT-STIKINE  
STATEMENT OF EXPENDITURES BY TYPE**

Year Ended December 31

**SCHEDULE 5**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Director remuneration	198,798	200,250
Director travel and expenses	127,612	112,623
Staff remuneration and benefits	2,577,203	2,386,770
Staff travel and education	205,641	210,677
Grants and Cost Sharing	1,058,107	1,172,985
Vehicle operation	150,629	138,588
Utilities	317,702	330,432
Insurance and property taxes	200,494	161,042
Interest	533,570	497,264
Purchased services and supplies	9,395,964	6,578,569
Amortization / loss on disposal of assets	1,230,748	1,230,748
Municipal Debt Payments	<u>521,423</u>	<u>521,423</u>
	<u>16,517,891</u>	<u>13,541,372</u>