

**SKEENA-QUEEN CHARLOTTE  
REGIONAL DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**SKEENA-QUEEN CHARLOTTE  
REGIONAL DISTRICT**

**INDEX TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**INDEPENDENT AUDITOR'S REPORT**

- 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**

**SCHEDULES**

- 1 STATEMENT OF SURPLUS**
- 2 STATEMENT OF RESERVE FUNDS**
- 3 STATEMENT OF CHANGES IN EQUITY IN PHYSICAL ASSETS**
- 4 STATEMENT OF PHYSICAL ASSETS**

**INDEPENDENT AUDITOR'S REPORT**

**To the Directors  
Skeena-Queen Charlotte Regional District**

**Report on the Financial Statements**

We have audited the accompanying statement of financial position of Skeena-Queen Charlotte Regional District as at December 31, 2011 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.

**Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

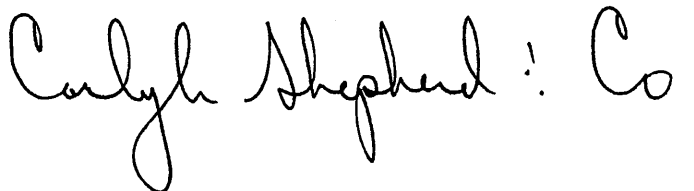
**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2011 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Regional District taken as a whole. The current year's supplementary information included in Schedules one to four 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 material respects, in relation to the financial statements taken as a whole

Prince Rupert, BC  
May 25, 2012



**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31**

**STATEMENT A**

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and investments (note 1)	1 186 487	1 221 741
Trade and other receivables	383 374	261 856
MFA deposit (note 2)	257 583	249 092
Due from Municipalities	<u>13 217 538</u>	<u>13 960 507</u>
	<u>15 044 982</u>	<u>15 693 196</u>
<b>LIABILITIES</b>		
Accounts payable and accruals	204 662	142 534
Landfill closure costs	54 884	24 793
Deferred revenue (note 3)	612 140	944 005
MFA debt reserve (note 2)	257 583	249 092
MFA debentures/leases for Regional District (note 4)	418 436	496 977
Debentures issued for Municipalities (note 5)	<u>13 217 538</u>	<u>13 960 507</u>
	<u>14 765 243</u>	<u>15 817 908</u>
<b>NET FINANCIAL ASSETS (LIABILITIES)</b>	279 739	-124 712
Physical assets (Schedule 4 and note 1)	3 350 141	2 715 376
Prepaid expenses	<u>28 449</u>	<u>9 256</u>
<b>NET POSITION</b>	<u>3 658 329</u>	<u>2 599 920</u>
<b>REGIONAL DISTRICT POSITION</b>		
Operating Surplus (Schedule 1)	542 407	172 867
Reserve Funds (Schedule 2)	172 576	193 463
Equity in Physical Assets (Schedule 3)	<u>2 943 346</u>	<u>2 233 590</u>
Fund balances	<u>3 658 329</u>	<u>2 599 920</u>

APPROVED BY THE BOARD

\_\_\_\_\_ Chair

\_\_\_\_\_ Treasurer

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**

**STATEMENT OF FINANCIAL ACTIVITIES**

**YEAR ENDED DECEMBER 31**

**STATEMENT B**

	<b>Unaudited Budget 2011</b>	<b>Audited Actual 2011</b>	<b>Audited Actual 2010</b>
	\$	\$	\$
<b>REVENUES</b>			
Taxation	1 230 235	1 230 235	1 208 222
Grants in lieu	54 773	129 527	58 079
Sales, fees and other	1 268 749	1 592 135	1 369 692
Provincial and federal grants	1 574 376	945 420	263 929
Municipal debt payments	1 461 892	1 405 723	1 442 098
	<u>5 590 025</u>	<u>5 303 040</u>	<u>4 342 020</u>
<b>EXPENDITURES</b>			
Administration	551 017	651 865	446 447
Electoral areas	210 644	162 676	178 883
Municipal debt service	1 461 892	1 405 723	1 442 098
Planning	77 926	23 885	48 344
Economic development	36 750	35 000	36 193
Regional waste management	12 282	-	2 543
Mainland recreation	4 900	4 500	4 000
Prince Rupert Regional Archives	68 004	64 504	64 504
North Pacific Cannery	88 200	88 200	84 000
Regional recycling	555 209	560 055	514 076
Islands solid waste	875 169	738 800	423 546
QCI Recreation	101 843	118 284	95 691
Haida Gwaii Museum	59 550	59 550	51 469
Vancouver Island Regional Library	37 655	37 655	32 352
Oona River telephone	4 295	4 965	4 341
Sandspit fire protection	30 725	30 570	25 170
Sandspit water utility	88 159	75 490	59 828
Dodge Cove water utility	-	46 400	-
Feasibility study	10 250	-	-
Grant in aid	4 000	-	-
Emergency program	28 500	-	-
Amortization	-	136 509	97 207
	<u>4 306 970</u>	<u>4 244 631</u>	<u>3 610 692</u>
<b>REVENUE OVER EXPENDITURE</b>	1 283 055	1 058 409	731 328
<b>OPENING REGIONAL DISTRICT POSITION</b>	<u>2 599 920</u>	<u>2 599 920</u>	<u>1 868 592</u>
<b>CLOSING REGIONAL DISTRICT POSITION</b>	<u>3 882 975</u>	<u>3 658 329</u>	<u>2 599 920</u>

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31**

**STATEMENT C**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Revenue over expenditure	1 058 409	731 328
Amortization	136 509	97 207
Trade and other receivables	-121 518	325 206
Accounts payables and accruals	62 128	-57 756
Landfill closure costs	30 091	-763 142
Deferred revenue	-331 865	-1 315
Prepaid expenses	-19 193	11 769
	<u>814 561</u>	<u>343 297</u>
<b>FINANCING ACTIVITIES</b>		
Debt repayment	<u>-78 541</u>	<u>-76 913</u>
<b>INVESTING ACTIVITIES</b>		
Physical asset purchases	<u>-771 274</u>	<u>-67 299</u>
<b>CHANGE IN CASH</b>	-35 254	199 085
<b>OPENING CASH AND INVESTMENTS</b>	<u>1 221 741</u>	<u>1 022 656</u>
<b>CLOSING CASH AND INVESTMENTS</b>	<u>1 186 487</u>	<u>1 221 741</u>

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (LIABILITIES)**

	YEAR ENDED DECEMBER 31	STATEMENT D
	2011	2010
	\$	\$
Revenue over expenditures	1 058 409	731 328
Purchase of physical assets	-771 274	-67 299
Amortization of physical assets	136 509	97 207
Prepaid expenses	<u>-19 193</u>	<u>11 769</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL LIABILITIES</b>	404 451	773 005
<b>OPENING NET FINANCIAL ASSETS (LIABILITIES)</b>	<u>-124 712</u>	<u>-897 717</u>
<b>CLOSING NET FINANCIAL ASSETS (LIABILITIES)</b>	<u>279 739</u>	<u>-124 712</u>

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**

**NOTES**

**DECEMBER 31, 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

The Regional District has adopted the reporting format from the recommendations by the Public Sector Accounting Board.

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 product is 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.

**Cash and investments**

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



# SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

## NOTES

DECEMBER 31, 2011

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Physical assets

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

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

#### Equity in Physical Assets

Equity in Physical Assets reports the accumulated funded historical cost of physical assets less accumulated amortization.

#### Use of estimates

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

### 2. 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.

### 3. 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.

	2011	2010
Provincial operating grant	\$ 75 233	\$ -
Towns for Tomorrow grant	-	352 960
PMIC Northcoast grant	-	10 438
Gas tax	526 961	554 937
Other	9 946	25 670
	<u>\$ 612 140</u>	<u>\$ 944 005</u>

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**

**NOTES**

**DECEMBER 31, 2011**

**4. DEBENTURES/LEASES FOR THE REGIONAL DISTRICT**

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

**5. 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.

**6. CONSOLIDATED EXPENDITURES BY TYPE**

	<b>2011</b>	<b>2010</b>
Director remuneration	\$ 126 054	\$ 131 970
Director travel	39 011	23 311
Staff remuneration and benefits	952 739	834 900
Staff travel and education	31 109	15 615
Interest	32 146	33 368
Purchased services, grants and supplies	1 657 849	1 129 430
Municipal debt payments	1 405 723	1 442 098
	<u>\$ 4 244 631</u>	<u>\$ 3 610 692</u>

**7. LINE OF CREDIT**

Canadian Imperial Bank of Commerce, authorized to \$930 000, interest at prime; unsecured.

# SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

## NOTES

DECEMBER 31, 2011

### 8. LEASE COMMITMENT

Premises lease, \$2 703/month to Lax Kw'alaams Holdings Ltd., expiry November 2014.

### 9. PENSION INFORMATION

The Regional District and its employees contribute to the Municipal Pension Plan (the "plan"), a jointly trusted pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 173 000 active members and approximately 63 000 retired members. Active members include approximately 35 000 from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1 024 000 for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the surplus to individual employers. Defined contribution plan accounting is applied to the plan as the plan exposes the participating entities to actuarial risk associated with the current and former employers of other entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan.

### 10. PURPOSE OF ORGANIZATION

The Skeena-Queen Charlotte Regional District is a partnership of four electoral areas and five municipalities that provide local government services to 20 000 residents living on the North Coast of British Columbia and Haida Gwaii.

The Regional District administers service ranging from solid waste management and recycling to land use planning, water supply and public safety.

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**

**STATEMENT OF SURPLUS (DEFICIT)**

**YEAR ENDED DECEMBER 31**

**SCHEDULE 1**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Administration	137 091	44 753
Electoral areas	52 040	17 613
Planning	55 575	23 501
Economic development	99	63
Regional waste management	11 782	12 282
Mainland recreation	646	185
Prince Rupert Regional Archives	3 325	-
North Pacific Cannery	4 530	-
Regional recycling	80 314	23 804
Islands solid waste	182 408	46 450
QCI Recreation	2 606	258
Haida Gwaii Museum	2 732	216
Vancouver Island Regional Library	619	-3
Dodge Cove water utility	-	-4 128
Oona River telephone	-	296
Sandspit fire protection	-1 648	21
Sandspit water utility	5 288	2 556
Feasibility study	5 000	5 000
	<u>542 407</u>	<u>172 867</u>

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**

**STATEMENT OF RESERVE FUNDS**

**YEAR ENDED DECEMBER 31**

**SCHEDULE 2**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Opening balance	193 463	205 320
Interest	3 863	5 525
Transfer to operating fund	-33 382	-23 382
Transfer from operating fund	<u>8 632</u>	<u>6 000</u>
Closing balance	<u>172 576</u>	<u>193 463</u>

**Represented by the following reserve funds**

Waste management	139 357	129 210
Dodge Cove water utility	-	33 382
Sandspit water utility	<u>33 219</u>	<u>30 871</u>
	<u>172 576</u>	<u>193 463</u>

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**  
**STATEMENT OF CHANGES IN EQUITY IN PHYSICAL ASSETS**

	YEAR ENDED DECEMBER 31	SCHEDULE 3
	2011	2010
	\$	\$
Opening balance	<u>2 233 590</u>	<u>2 189 981</u>
<b>Increase (decrease) in equity</b>		
Asset additions	771 275	67 299
Debt repayment	55 224	55 616
Actuarial additions	19 766	17 900
Amortization	<u>-136 509</u>	<u>-97 206</u>
	<u>709 756</u>	<u>43 609</u>
Closing balance	<u>2 943 346</u>	<u>2 233 590</u>

SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

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	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Land	295 400	6 748	302 148	-	-	-	302 148	295 400
Buildings	651 110	732 074	1 383 184	178 762	14 206	192 968	1 190 216	472 348
Automotive	366 796	-	366 796	115 903	-	115 903	250 893	250 893
Equipment	151 447	32 452	183 899	83 185	48 965	132 150	51 749	68 262
Infrastructure	<u>1 857 170</u>	<u>-</u>	<u>1 857 170</u>	<u>228 697</u>	<u>73 338</u>	<u>302 035</u>	<u>1 555 135</u>	<u>1 628 473</u>
	<u>3 321 923</u>	<u>771 274</u>	<u>4 093 197</u>	<u>606 547</u>	<u>136 509</u>	<u>743 056</u>	<u>3 350 141</u>	<u>2 715 376</u>