

**SKEENA-QUEEN CHARLOTTE
REGIONAL DISTRICT**

FINANCIAL STATEMENTS

DECEMBER 31, 2014

**SKEENA-QUEEN CHARLOTTE
REGIONAL DISTRICT**

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DECEMBER 31, 2014

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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, 2014 and the statements of financial activities, cash flows and changes in net financial assets for the year then ended and a summary of significant accounting policies.

Management 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.

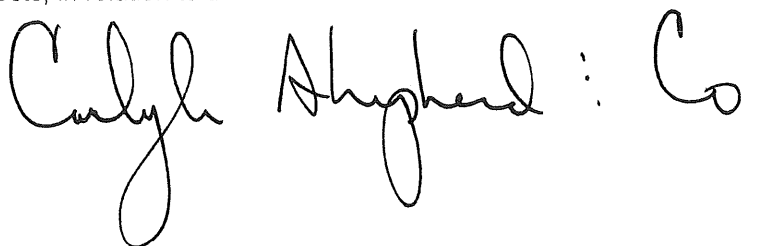
Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2014 and the results of its operations, cash flows and changes in net financial assets 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 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 22, 2015



Carlyle Shepherd : Co.

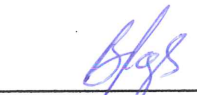
**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT
STATEMENT OF FINANCIAL POSITION**

DECEMBER 31

STATEMENT A

	2014	2013
	\$	\$
FINANCIAL ASSETS		
Cash and investments (note 1)	2,417,010	2,075,903
Trade and other receivables	489,806	232,110
MFA deposit (note 2)	373,143	293,663
Due from Municipalities	<u>19,220,618</u>	<u>13,136,407</u>
	<u>22,500,577</u>	<u>15,738,083</u>
LIABILITIES		
Accounts payable and accruals	402,887	237,722
Landfill closure costs accrual	218,663	131,802
Deferred revenue (note 3)	1,199,355	1,121,259
MFA debt reserve (note 2)	373,143	293,663
MFA debentures/leases for Regional District (note 4)	296,679	398,767
Debentures issued for Municipalities (note 5)	<u>19,220,618</u>	<u>13,136,407</u>
	<u>21,711,345</u>	<u>15,319,620</u>
NET FINANCIAL ASSETS		
	789,232	418,463
Physical assets (schedule 4 and note 1)	3,381,419	3,329,206
Prepaid expenses	<u>27,960</u>	<u>11,201</u>
NET POSITION		
	<u>4,198,611</u>	<u>3,758,870</u>
REGIONAL DISTRICT POSITION		
Operating surplus (schedule 1)	513,763	499,757
Reserve funds (schedule 2)	600,108	324,623
Equity in Physical Assets (schedule 3)	<u>3,084,740</u>	<u>2,934,490</u>
	<u>4,198,611</u>	<u>3,758,870</u>

APPROVED BY THE BOARD

 Chair

 Treasurer

SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED DECEMBER 31

STATEMENT B

	Unaudited Budget 2014 \$	Actual 2014 \$	Actual 2013 \$
REVENUE			
Taxation	1,320,667	1,373,247	1,320,670
Grants in lieu	78,830	232,063	95,778
Sales, fees and other	1,214,236	1,383,813	1,243,469
Provincial, federal and other grants	242,500	393,801	200,000
Municipal debt payments	<u>1,387,243</u>	<u>1,635,405</u>	<u>1,387,243</u>
	<u>4,243,476</u>	<u>5,018,329</u>	<u>4,247,160</u>
EXPENDITURE			
Administration	496,829	468,859	454,531
Electoral areas	190,199	210,805	182,313
Grant-in-aid	7,560	6,424	4,458
Municipal debt service	1,387,244	1,635,405	1,387,243
Sandspit fire protection	28,900	26,569	28,630
Emergency programming	57,721	1,889	166
Islands solid waste	791,229	882,815	836,047
Regional recycling	556,297	572,119	555,350
Regional waste management	-	11,782	-
Planning	74,932	75,046	37,688
Economic development	36,644	32,332	19,144
Prince Rupert Regional Archives	72,999	77,224	72,999
North Pacific Cannery	102,099	102,124	102,099
Haida Gwaii Museum	66,688	71,203	66,688
Vancouver Island Regional Library	40,789	42,848	40,791
QCI recreation	112,615	116,889	114,467
Mainland recreation	11,735	11,720	9,500
Sandspit water utility	94,624	87,044	89,150
Oona River telephone	4,000	5,172	4,999
Sandspit hall	-	2,402	-
Amortization	<u>-</u>	<u>137,917</u>	<u>133,134</u>
	<u>4,133,104</u>	<u>4,578,588</u>	<u>4,139,397</u>
REVENUE OVER EXPENDITURE	110,372	439,741	107,763
OPENING REGIONAL DISTRICT POSITION	<u>3,758,870</u>	<u>3,758,870</u>	<u>3,651,107</u>
CLOSING REGIONAL DISTRICT POSITION	<u>3,869,242</u>	<u>4,198,611</u>	<u>3,758,870</u>

SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31

STATEMENT C

	2014	2013
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	439,741	107,763
Amortization	137,917	133,134
Landfill closure costs accrual	86,861	44,081
Accounts payables and accruals	165,165	- 4,724
Trade and other receivables	- 257,696	- 5,890
Deferred revenue	78,096	93,566
Prepaid expenses	- 16,759	24,586
	<u>633,325</u>	<u>392,516</u>
FINANCING ACTIVITIES		
Debt repayment	- 102,088	- 115,334
Debt financing	-	176,460
	<u>- 102,088</u>	<u>61,126</u>
INVESTING ACTIVITIES		
Physical asset purchases	- 194,130	- 147,704
Sale of physical assets	4,000	41,759
	<u>- 190,130</u>	<u>- 105,945</u>
CHANGE IN CASH	341,107	347,697
OPENING CASH AND INVESTMENTS	<u>2,075,903</u>	<u>1,728,206</u>
CLOSING CASH AND INVESTMENTS	<u>2,417,010</u>	<u>2,075,903</u>

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

YEAR ENDED DECEMBER 31

STATEMENT D

	2014	2013
	\$	\$
Revenue over expenditure	439,741	107,763
Amortization of physical assets	137,917	133,134
Purchase of physical assets	- 194,130	- 147,704
Sale of physical assets	4,000	41,759
Prepaid expenses	<u>- 16,759</u>	<u>24,586</u>
Increase in net financial assets	370,769	159,538
Opening net financial assets	<u>418,463</u>	<u>258,925</u>
Closing net financial assets	<u>789,232</u>	<u>418,463</u>

SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

NOTES

DECEMBER 31, 2014

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 requisitioned 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

The Regional District measures financial assets and liabilities at market value at the date of acquisition except for those investments quoted in an active market, which are reported as market value.

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, 2014

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 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. 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.

	2014	2013
Provincial operating grant	\$ 24,718	\$ 92,360
Gas tax	1,120,654	977,871
Other	53,983	51,028
	<u>\$ 1,199,355</u>	<u>\$ 1,121,259</u>

SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

NOTES

DECEMBER 31, 2014

4. MFA 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

	2014	2013
Director remuneration	\$ 147,663	\$ 138,198
Director travel	41,380	51,614
Staff remuneration and benefits	1,210,845	1,113,960
Staff travel and education	41,780	36,975
Interest	34,736	37,056
Purchased services, grants and supplies	1,328,862	1,241,217
Municipal debt payments	1,635,405	1,387,243
Amortization	137,917	133,134
	<u>\$ 4,578,588</u>	<u>\$ 4,139,397</u>

7. LINE OF CREDIT

Northern Savings Credit Union, authorized to \$250,000, interest at 2.85%; unsecured.

SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

NOTES

DECEMBER 31, 2014

8. 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 Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 16 contributors from the Regional District.

The most recent actuarial valuation as at December 31, 2012 indicated an unfunded liability of \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expenses 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 with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the plan.

The Regional District paid \$ 77,190 (2013 - \$ 74,488) for employer contributions to the plan in fiscal 2014.

9. 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 approximately 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

YEAR ENDED DECEMBER 31

SCHEDULE 1

	2014	2013
	\$	\$
Administration	100,632	84,556
Electoral areas	20,829	55,148
Grant-in-aid	5,951	1,579
Sandspit fire protection	1,905	974
Emergency programming	79,463	59,758
Islands solid waste	136,436	173,828
Regional recycling	48,910	5,798
Regional waste management	-	11,782
Planning	30,227	32,758
Economic development	16,599	17,592
Prince Rupert Regional Archives	16,373	4,338
North Pacific Cannery	21,095	5,632
Haida Gwaii Museum	4,871	7,066
Vancouver Island Regional Library	2,068	2,125
QCI recreation	11,150	8,955
Mainland recreation	750	1,070
Sandspit water utility	17,782	12,588
Oona River telephone	787	2
Sandspit hall	-2,402	-
Feasibility study	337	14,208
	<u>513,763</u>	<u>499,757</u>

SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

STATEMENT OF RESERVE FUNDS

YEAR ENDED DECEMBER 31

SCHEDULE 2

	2014	2013
	\$	\$
Opening balance	324,623	203,134
Interest	10,400	2,414
Transfer to Operating Fund	- 50,178	-
Transfer from Operating Fund	<u>315,263</u>	<u>119,075</u>
Closing balance	<u>600,108</u>	<u>324,623</u>

Represented by the following reserve funds

Bylaw 486 Sandspit Water	39,127	37,922
Bylaw 561 Electoral Area Administration	37,120	-
Bylaw 566 General Administration	80,431	-
Bylaw 567 Feasibility Study	25,208	5,000
Bylaw 568 Regional Recycling - Other	34,714	31,199
Bylaw 568 Regional Recycling - Building	112,815	109,667
Bylaw 569 Island Solid Waste	214,268	61,844
Bylaw 569 Landfill Closure	<u>56,425</u>	<u>78,991</u>
	<u>600,108</u>	<u>324,623</u>

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

YEAR ENDED DECEMBER 31

SCHEDULE 3

	2014	2013
	\$	\$
Opening balance	<u>2,934,490</u>	<u>2,921,003</u>
Increase (decrease) in equity		
Contribution from operations	194,130	76,926
Physical asset disposals	- 4,000	- 41,759
Debt repayment	72,092	87,670
Actuarial additions	25,945	23,784
Amortization	<u>- 137,917</u>	<u>- 133,134</u>
	<u>150,250</u>	<u>13,487</u>
Closing balance	<u>3,084,740</u>	<u>2,934,490</u>

SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

STATEMENT 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	Closing Balance	Total 2014	Total 2013	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	279,748	-	-	279,748	-	-	-	279,748	279,748	
Buildings	1,383,275	157,209	-	1,540,484	262,224	38,512	300,736	1,239,748	1,121,051	
Automotive	244,506	-	-	244,506	77,793	22,089	99,882	144,624	166,713	
Equipment	449,751	36,921	-4,000	482,672	151,714	31,577	183,291	299,381	298,037	
Infrastructure	1,829,571	-	-	1,829,571	365,914	45,739	411,653	1,417,918	1,463,657	
	<u>4,186,851</u>	<u>194,130</u>	<u>-4,000</u>	<u>4,376,981</u>	<u>857,645</u>	<u>137,917</u>	<u>995,562</u>	<u>3,381,419</u>	<u>3,329,206</u>	

