

**SKEENA-QUEEN CHARLOTTE  
REGIONAL DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

**SKEENA-QUEEN CHARLOTTE  
REGIONAL DISTRICT**

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**DECEMBER 31, 2015**

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**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, 2015 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.

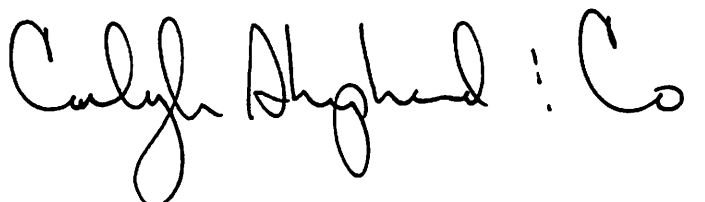
**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2015 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 27, 2016



**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31**  
**STATEMENT A**

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and investments (note 1)	3,201,941	2,417,010
Trade and other receivables (note 2)	307,154	489,806
MFA deposit (note 3)	358,446	373,143
Due from Municipalities	<u>15,930,540</u>	<u>19,220,618</u>
	<u>19,798,081</u>	<u>22,500,577</u>
<b>LIABILITIES</b>		
Accounts payable and accruals (note 4)	312,828	402,887
Landfill closure costs accrual (note 5)	247,778	218,663
Deferred revenue (note 6)	1,384,025	1,199,355
MFA debt reserve (note 3)	358,446	373,143
MFA debentures/leases/loan for Regional District (note 7)	144,677	296,679
Debentures issued for Municipalities (note 8)	<u>15,930,540</u>	<u>19,220,618</u>
	<u>18,378,294</u>	<u>21,711,345</u>
<b>NET FINANCIAL ASSETS</b>	1,419,787	789,232
Physical assets (schedule 4 and note 1)	3,292,085	3,381,419
Prepaid expenses	<u>23,437</u>	<u>27,960</u>
<b>NET POSITION</b>	<u>4,735,309</u>	<u>4,198,611</u>
<b>REGIONAL DISTRICT POSITION</b>		
Operating surplus (schedule 1)	952,350	513,763
Reserve funds (schedule 2)	635,550	600,108
Equity in Physical Assets (schedule 3)	<u>3,147,409</u>	<u>3,084,740</u>
	<u>4,735,309</u>	<u>4,198,611</u>

APPROVED BY THE BOARD

\_\_\_\_\_ Chair

\_\_\_\_\_ Treasurer

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**

**STATEMENT OF FINANCIAL ACTIVITIES**

**YEAR ENDED DECEMBER 31**

**STATEMENT B**

	<b>Unaudited</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>2015</b>	<b>2015</b>	<b>2014</b>
	\$	\$	\$
<b>REVENUE</b>			
Taxation	1,379,838	1,379,581	1,373,247
Grants in lieu	65,223	148,928	232,063
Sales, fees and other	1,612,973	1,874,164	1,383,813
Provincial, federal and other grants	463,000	304,081	393,801
Municipal debt payments	1,974,601	4,075,371	1,635,405
	<u>5,495,635</u>	<u>7,782,125</u>	<u>5,018,329</u>
<b>EXPENDITURE</b>			
Administration	794,985	692,854	468,859
Electoral areas	200,562	125,785	210,805
Grant-in-aid	20,329	5,250	6,424
Municipal debt service	1,974,601	4,075,371	1,635,405
Sandspit fire protection	54,238	28,667	26,569
Emergency programming	82,339	20,839	1,889
Islands solid waste	980,934	866,382	882,815
Regional recycling	732,388	703,191	572,119
Regional waste management	-	-	11,782
Planning	196,095	30,685	75,046
Economic development	68,327	27,081	32,332
Prince Rupert Regional Archives	79,712	79,712	77,224
North Pacific Cannery	101,952	101,952	102,124
Haida Gwaii Museum	71,012	71,012	71,203
Vancouver Island Regional Library	41,820	41,820	42,848
Haida Gwaii recreation	132,990	133,223	116,889
Mainland recreation	11,800	11,800	11,720
Sandspit water utility	140,065	74,378	87,044
Oona River telephone	975	975	5,172
Sandspit hall	15,698	11,514	2,402
Amortization	-	142,936	137,917
	<u>5,700,822</u>	<u>7,245,427</u>	<u>4,578,588</u>
<b>REVENUE OVER EXPENDITURE</b>	<b>- 205,187</b>	<b>536,698</b>	<b>439,741</b>
<b>OPENING REGIONAL DISTRICT POSITION</b>	<b>4,198,611</b>	<b>4,198,611</b>	<b>3,758,870</b>
<b>CLOSING REGIONAL DISTRICT POSITION</b>	<b>3,993,424</b>	<b>4,735,309</b>	<b>4,198,611</b>

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31**  
**STATEMENT C**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Revenue over expenditure	536,698	439,741
Amortization	142,936	137,917
Landfill closure costs accrual	29,115	86,861
Accounts payables and accruals	- 90,059	165,165
Trade and other receivables	182,652	- 257,696
Deferred revenue	184,670	78,096
Prepaid expenses	4,523	- 16,759
	<u>990,535</u>	<u>633,325</u>
<b>FINANCING ACTIVITIES</b>		
Debt repayment	- 195,512	- 102,088
Debt financing	43,510	-
	<u>- 152,002</u>	<u>- 102,088</u>
<b>INVESTING ACTIVITIES</b>		
Physical asset purchases	- 57,127	- 194,130
Sale of physical assets	3,525	4,000
	<u>- 53,602</u>	<u>- 190,130</u>
<b>CHANGE IN CASH</b>	784,931	341,107
<b>OPENING CASH AND INVESTMENTS</b>	<u>2,417,010</u>	<u>2,075,903</u>
<b>CLOSING CASH AND INVESTMENTS</b>	<u>3,201,941</u>	<u>2,417,010</u>

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**YEAR ENDED DECEMBER 31**  
**STATEMENT D**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Revenue over expenditure	536,698	439,741
Amortization of physical assets	142,936	137,917
Purchase of physical assets	- 57,127	- 194,130
Sale of physical assets	3,525	4,000
Prepaid expenses	<u>4,523</u>	<u>- 16,759</u>
 Increase in net financial assets	 630,555	 370,769
 Opening net financial assets	 <u>789,232</u>	 <u>418,463</u>
 Closing net financial assets	 <u>1,419,787</u>	 <u>789,232</u>

# SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

## NOTES

DECEMBER 31, 2015

### 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, 2015

### 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. TRADE AND OTHER RECEIVABLES

	2015	2014
Provincial and Federal governments	\$ 135,341	\$ 152,825
Regional and local governments	120,504	302,012
Trade receivables and other	51,309	34,969
	<u>\$ 307,154</u>	<u>\$ 489,806</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.

# SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

## NOTES

DECEMBER 31, 2015

### 4. ACCOUNTS PAYABLE AND ACCRUALS

	2015	2014
Provincial and Federal governments	\$ 5,971	\$ 31,762
Regional and local governments	40,264	125
Payroll	113,497	107,240
Trade payables and other	<u>153,096</u>	<u>263,760</u>
	<u>\$ 312,828</u>	<u>\$ 402,887</u>

### 5. LANDFILL CLOSURE COST ACCRUAL

The Regional District is responsible for closing a landfill on Haida Gwaii in accordance with Ministry of Environment regulations. Management has prepared its estimates using a provisional phased closure plan.

### 6. 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.

	2015	2014
Provincial operating grant	\$ -	\$ 24,718
Gas tax	1,324,768	1,120,654
Other	<u>59,257</u>	<u>53,983</u>
	<u>\$ 1,384,025</u>	<u>\$ 1,199,355</u>

### 7. MFA DEBENTURES/LEASES/LOAN FOR THE REGIONAL DISTRICT

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

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.

# SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

## NOTES

DECEMBER 31, 2015

### 8. DEBENTURES ISSUED FOR MUNICIPALITIES

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.

### 9. CONSOLIDATED EXPENDITURES BY TYPE

	2015	2014
Director remuneration	\$ 152,183	\$ 147,663
Director travel	49,148	41,380
Staff remuneration and benefits	1,150,822	1,210,845
Staff travel and education	46,093	41,780
Interest	31,329	34,736
Purchased services, grants and supplies	1,597,545	1,328,862
Municipal debt payments	4,075,371	1,635,405
Amortization	142,936	137,917
	<u>\$ 7,245,427</u>	<u>\$ 4,578,588</u>

### 10. 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 185,000 active members and approximately 80,000 retired members.

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 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.

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**

**NOTES**

**DECEMBER 31, 2015**

**10. PENSION INFORMATION (continued)**

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 \$67,332 (2014 - \$77,190) for employer contributions to the plan in fiscal 2015.

**11. 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**

	2015	2014
	\$	\$
Administration	192,716	100,632
Electoral areas	142,721	20,829
Grant-in-aid	11,067	5,951
Sandspit fire protection	738	1,905
Emergency programming	80,228	79,463
Islands solid waste	202,830	136,436
Regional recycling	98,436	48,910
Regional waste management		-
Planning	66,729	30,227
Economic development	17,480	16,599
Prince Rupert Regional Archives	17,258	16,373
North Pacific Cannery	26,372	21,095
Haida Gwaii Museum	6,070	4,871
Vancouver Island Regional Library	4,416	2,068
Haida Gwaii recreation	12,519	11,150
Mainland recreation	1,164	750
Sandspit water utility	59,614	17,782
Oona River telephone	-	787
Sandspit hall	6,439	- 2,402
Feasibility studies	5,553	337
	<u>952,350</u>	<u>513,763</u>

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**  
**STATEMENT OF RESERVE FUNDS**  
**YEAR ENDED DECEMBER 31**  
**SCHEDULE 2**

	<b>2015</b>	<b>2014</b>
	\$	\$
Opening balance	600,108	324,623
Interest	17,192	10,400
Transfer to Operating Fund	- 31,898	- 50,178
Transfer from Operating Fund	<u>50,148</u>	<u>315,263</u>
Closing balance	<u>635,550</u>	<u>600,108</u>

**Represented by the following reserve funds**

Bylaw 486 Sandspit Water	87,606	39,127
Bylaw 561 Electoral Area Administration	38,180	37,120
Bylaw 566 General Administration	82,725	80,431
Bylaw 567 Feasibility Studies	25,927	25,208
Bylaw 568 Regional Recycling - Other	35,704	34,714
Bylaw 568 Regional Recycling - Building	116,032	112,815
Bylaw 569 Island Solid Waste	220,378	214,268
Bylaw 569 Landfill Closure	28,919	56,425
Bylaw 602 Haida Gwaii Recreation	<u>79</u>	<u>-</u>
	<u>635,550</u>	<u>600,108</u>

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**  
**STATEMENT OF CHANGES IN EQUITY IN PHYSICAL ASSETS**  
**YEAR ENDED DECEMBER 31**  
**SCHEDULE 3**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Opening balance	<u>3,084,740</u>	<u>2,934,490</u>
<b>Increase (decrease) in equity</b>		
Contribution from operations	13,618	194,130
Physical asset disposals	- 3,525	- 4,000
Debt repayment	59,783	72,092
Actuarial additions	135,729	25,945
Amortization	<u>- 142,936</u>	<u>- 137,917</u>
	<u>62,669</u>	<u>150,250</u>
Closing balance	<u>3,147,409</u>	<u>3,084,740</u>

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**  
**STATEMENT OF PHYSICAL ASSETS**  
**YEAR ENDED DECEMBER 31**  
**SCHEDULE 4**

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Annual Amortization	Disposals	Closing Balance	Total 2015	Total 2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	279,748	-	-	279,748	-	-	-	-	279,748	279,748
Buildings	1,540,484	15,559	-	1,556,043	300,736	38,901	-	339,637	1,216,406	1,239,748
Automotive	244,506	41,568	- 35,268	250,806	99,882	22,719	- 31,743	90,858	159,948	144,624
Equipment	482,672	-	-	482,672	183,291	35,577	-	218,868	263,804	299,381
Infrastructure	1,829,571	-	-	1,829,571	411,653	45,739	-	457,392	1,372,179	1,417,918
	<u>4,376,981</u>	<u>57,127</u>	<u>- 35,268</u>	<u>4,398,840</u>	<u>995,562</u>	<u>142,936</u>	<u>- 31,743</u>	<u>1,106,755</u>	<u>3,292,085</u>	<u>3,381,419</u>