

**SKEENA-QUEEN CHARLOTTE  
REGIONAL DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

**SKEENA-QUEEN CHARLOTTE  
REGIONAL DISTRICT**

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**DECEMBER 31, 2013**

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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, 2013 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.

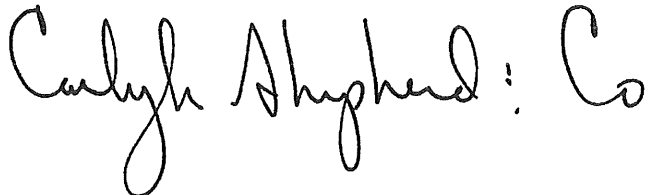
**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2013 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 23, 2014



**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31**

**STATEMENT A**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>FINANCIAL ASSETS</b>		
Cash and investments (note 1)	2,075,903	1,728,206
Trade and other receivables	232,110	226,220
MFA deposit (note 2)	293,663	265,365
Due from Municipalities	<u>13,136,407</u>	<u>12,443,281</u>
	<u>15,738,083</u>	<u>14,663,072</u>
<b>LIABILITIES</b>		
Accounts payable and accruals	237,722	242,446
Landfill closure costs accrual	131,802	87,721
Deferred revenue (note 3)	1,121,259	1,027,693
MFA debt reserve (note 2)	293,663	265,365
MFA debentures/leases for Regional District (note 4)	398,767	337,641
Debentures issued for Municipalities (note 5)	<u>13,136,407</u>	<u>12,443,281</u>
	<u>15,319,620</u>	<u>14,404,147</u>
<b>NET FINANCIAL ASSETS</b>	418,463	258,925
Physical assets (schedule 4 and note 1)	3,329,206	3,356,395
Prepaid expenses	<u>11,201</u>	<u>35,787</u>
<b>NET POSITION</b>	<u>3,758,870</u>	<u>3,651,107</u>
<b>REGIONAL DISTRICT POSITION</b>		
Operating surplus (schedule 1)	499,757	526,970
Reserve funds (schedule 2)	324,623	203,134
Equity in Physical Assets (schedule 3)	<u>2,934,490</u>	<u>2,921,003</u>
	<u>3,758,870</u>	<u>3,651,107</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 2013 \$</b>	<b>Actual 2013 \$</b>	<b>Actual 2012 \$</b>
<b>REVENUE</b>			
Taxation	1,320,667	1,320,670	1,267,234
Grants in lieu	78,830	95,778	50,024
Sales, fees and other	1,256,736	1,243,469	1,289,235
Provincial and federal grants	200,000	200,000	200,000
Municipal debt payments	<u>1,387,243</u>	<u>1,387,243</u>	<u>1,387,243</u>
	<u>4,243,476</u>	<u>4,247,160</u>	<u>4,193,736</u>
<b>EXPENDITURE</b>			
Administration	496,829	463,555	559,790
Electoral areas	190,199	182,313	204,984
Grant in Aid	7,560	7,060	4,000
Municipal debt service	1,387,244	1,387,243	1,387,243
Sandspit fire protection	28,900	28,630	88,433
Emergency Programming	57,721	166	-
Islands solid waste	791,229	838,069	735,046
Regional recycling	556,297	563,932	549,853
Planning	74,932	37,688	45,893
Economic development	36,644	19,144	36,750
Prince Rupert Regional Archives	72,999	72,999	68,004
North Pacific Cannery	102,099	102,099	88,200
Haida Gwaii Museums	66,688	66,688	67,556
Vancouver Island Regional Library	40,789	40,791	37,578
QCI recreation	112,615	114,493	105,093
Mainland recreation	11,735	11,550	4,900
Sandspit water utility	94,624	89,430	81,335
Oona River telephone	4,000	4,999	4,000
Feasibility study	-	-	2,283
Change in Prepays	-	- 24,586	-
Amortization	-	133,134	130,017
	<u>4,133,104</u>	<u>4,139,397</u>	<u>4,200,958</u>
<b>REVENUE OVER EXPENDITURE</b>	110,372	107,763	- 7,222
<b>OPENING REGIONAL DISTRICT POSITION</b>	<u>3,651,107</u>	<u>3,651,107</u>	<u>3,658,329</u>
<b>CLOSING REGIONAL DISTRICT POSITION</b>	<u>3,761,479</u>	<u>3,758,870</u>	<u>3,651,107</u>

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31**

**STATEMENT C**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Revenue over expenditure	107,763	- 7,222
Amortization	133,134	130,017
Landfill closure costs accrual	44,081	32,837
Accounts payables and accruals	- 4,724	37,784
Trade and other receivables	- 5,890	157,154
Deferred revenue	93,566	415,553
Prepaid expenses	24,586	- 7,338
	<u>392,516</u>	<u>758,785</u>
<b>FINANCING ACTIVITIES</b>		
Debt repayment	- 115,334	- 80,795
Debt financing	176,460	-
	<u>61,126</u>	<u>- 80,795</u>
<b>INVESTING ACTIVITIES</b>		
Physical asset purchases	- 147,704	- 136,271
Physical asset disposals	41,759	-
	<u>- 105,945</u>	<u>- 136,271</u>
<b>CHANGE IN CASH</b>	347,697	541,719
<b>OPENING CASH AND INVESTMENTS</b>	1,728,206	1,186,487
<b>CLOSING CASH AND INVESTMENTS</b>	<u>2,075,903</u>	<u>1,728,206</u>

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

**YEAR ENDED DECEMBER 31**

**STATEMENT D**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Revenue over expenditure	107,763	- 7,222
Amortization of physical assets	133,134	130,017
Purchase of physical assets	- 147,704	- 136,271
Physical asset disposals	41,759	
Prepaid expenses	24,586	- 7,338
	<hr/>	<hr/>
Increase (decrease) in net financial assets	159,538	- 20,814
Opening net financial assets	<hr/> <u>258,925</u>	<hr/> <u>279,739</u>
Closing net financial assets	<hr/> <u>418,463</u>	<hr/> <u>258,925</u>

# SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

## NOTES

DECEMBER 31, 2013

### 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**

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 at 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, 2013**

**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.

	<b>2013</b>	<b>2012</b>
Provincial operating grant	\$ 92,360	\$ 158,428
Towhill Blowhole grant	0	100,000
Gas tax	977,871	759,319
Other	51,028	9,946
	<u>\$ 1,121,259</u>	<u>\$ 1,027,693</u>

# SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

## NOTES

DECEMBER 31, 2013

### 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

	<b>2013</b>	<b>2012</b>
Director remuneration	\$ 138,198	\$ 133,876
Director travel	51,614	48,253
Staff remuneration and benefits	1,113,960	1,084,613
Staff travel and education	36,975	41,786
Interest	37,056	30,957
Purchased services, grants and supplies	1,241,217	1,344,213
Municipal debt payments	1,387,243	1,387,243
Amortization	<u>133,134</u>	<u>130,017</u>
	<u>\$ 4,139,397</u>	<u>\$ 4,200,958</u>

### 7. LINE OF CREDIT

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

# **SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**

## **NOTES**

**DECEMBER 31, 2013**

### **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 plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 179,000 active members and approximately 71,000 retired members. Active members include approximately fifteen (15) from the Skeena-Queen Charlotte Regional District.

The most recent actuarial valuation as at December 31, 2012 indicated a \$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 expense as the amount of employer contributions made during the fiscal (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 Skeena-Queen Charlotte Regional District paid \$74,488 (2012 - \$61,128) for employer contributions while employees contributed \$64,679 (2012 - \$61,409) to the plan in fiscal 2013.

### **10. CHANGE IN COMPARATIVE FIGURES**

Certain figures have been restated for comparative purposes.

### **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**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Administration	84,556	61,458
Electoral areas	55,148	40,314
Grant-in-aid	1,579	-
Planning	32,758	25,374
Economic development	17,592	66
Regional waste management	11,782	11,782
Mainland recreation	1,070	145
Prince Rupert Regional Archives	4,338	3,886
North Pacific Cannery	5,632	4,426
Regional recycling	5,798	33,934
Islands solid waste	173,828	261,523
QCI recreation	8,955	9,030
Haida Gwaii Museum	7,066	6,424
Vancouver Island Regional Library	2,125	1,490
Sandspit fire protection	974	- 1,638
Sandspit water utility	12,588	11,130
Feasibility study	14,208	14,124
Emergency programming	59,758	43,500
Oona River Telephone	<u>2</u>	<u>2</u>
	499,757	526,970

**SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT**

**STATEMENT OF RESERVE FUNDS**

**YEAR ENDED DECEMBER 31**

**SCHEDULE 2**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Opening balance	203,134	172,576
Interest	2,414	3,741
Transfer to Operating Fund	-	-
Transfer from Operating Fund	<u>119,075</u>	<u>26,817</u>
Closing balance	<u>324,623</u>	<u>203,134</u>

**Represented by the following reserve funds**

Bylaw 567 Feasibility Study	5,000	-
Bylaw 569 Island Solid Waste	61,844	169,203
Bylaw 569 Landfill Closure	78,991	-
Bylaw 568 Regional Recycling - Building	109,667	-
Bylaw 568 Regional Recycling - Other	31,199	-
Bylaw 486 Sandspit Water	<u>37,922</u>	<u>33,931</u>
	<u>324,623</u>	<u>203,134</u>

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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Opening balance	2,921,003	2,943,346
<b>Increase (decrease) in equity</b>		
Asset additions	147,703	52,987
Asset disposals	- 41,759	- 22,400
New Debt Issued	- 176,460	-
Debt repayment	87,671	55,357
Actuarial additions	23,784	21,730
Amortization	<u>- 133,134</u>	<u>- 130,017</u>
	- 92,195	- 22,343
Adjustment for Baler lease & 2012 Equity	105,682	-
		-
Closing Balance	<u>2,934,490</u>	<u>2,921,003</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 \$	Disposals \$	Closing Balance \$	Opening Balance \$	Annual Amortization \$	Disposals \$	Closing Balance \$	Total 2013 \$	Total 2012 \$
Land	279,748	-	-	279,748	-	-	-	-	279,748	279,748
Buildings	1,383,275	-	-	1,383,275	227,641	34,583	-	262,224	1,121,051	1,155,634
Automotive	209,332	147,704	- 112,530	244,506	134,476	22,088	- 78,771	77,793	166,713	74,856
Equipment	457,751	-	- 8,000	449,751	120,990	30,724	-	151,714	298,037	336,761
Infrastructure	1,829,571	-	-	1,829,571	320,175	45,739	-	365,914	1,463,657	1,509,396
	<u>4,159,677</u>	<u>147,704</u>	<u>- 120,530</u>	<u>4,186,851</u>	<u>803,282</u>	<u>133,134</u>	<u>- 78,771</u>	<u>857,645</u>	<u>3,329,206</u>	<u>3,356,395</u>