

**NORTH COAST
REGIONAL DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NORTH COAST
REGIONAL DISTRICT**

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DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

**To the Directors
North Coast 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, 2016 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's 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.

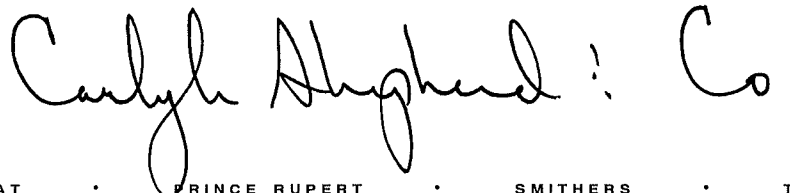
Opinion

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.


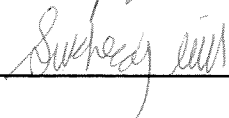
Prince Rupert, BC
May 26, 2017



NORTH COAST REGIONAL DISTRICT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31
STATEMENT A

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash and investments (note 1)	3,578,517	3,201,941
Trade and other receivables (note 2)	469,882	307,154
MFA deposit (note 3)	311,049	358,446
Due from Municipalities	<u>14,945,025</u>	<u>15,930,540</u>
	<u>19,304,473</u>	<u>19,798,081</u>
LIABILITIES		
Accounts payable and accruals (note 4)	391,221	312,828
Landfill closure costs accrual (note 5)	291,196	247,778
Deferred revenue (note 6)	1,513,610	1,384,025
MFA debt reserve (note 3)	311,049	358,446
MFA debentures and leases for Regional District (note 7)	69,449	144,677
Debentures issued for Municipalities (note 8)	<u>14,945,025</u>	<u>15,930,540</u>
	<u>17,521,550</u>	<u>18,378,294</u>
NET FINANCIAL ASSETS		
Physical assets (note 1 and schedule 4)	3,177,619	3,292,085
Prepaid expenses	<u>8,623</u>	<u>23,437</u>
NET POSITION	<u>4,969,165</u>	<u>4,735,309</u>
REGIONAL DISTRICT POSITION		
Operating surplus (schedule 1)	1,239,338	952,350
Reserve funds (schedule 2)	621,657	635,550
Equity in Physical Assets (note 1 and schedule 3)	<u>3,108,170</u>	<u>3,147,409</u>
	<u>4,969,165</u>	<u>4,735,309</u>

APPROVED BY THE BOARD


 _____ Chair

 _____ Treasurer

**NORTH COAST REGIONAL DISTRICT
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED DECEMBER 31**

STATEMENT B

	Unaudited Budget 2016 \$	Actual 2016 \$	Actual 2015 \$
REVENUE			
Taxation	1,444,130	1,444,177	1,379,581
Grants in lieu	65,225	141,948	148,928
Sales, fees and other	1,550,430	1,661,995	1,874,164
Provincial, federal and other grants	485,285	440,845	304,081
Municipal debt payments	<u>1,497,540</u>	<u>1,497,539</u>	<u>4,075,371</u>
	<u>5,042,610</u>	<u>5,186,504</u>	<u>7,782,125</u>
EXPENDITURE			
Administration	866,970	721,117	692,854
Electoral areas	200,950	156,637	125,785
Grant-in-aid	19,975	2,770	5,250
Municipal debt service	1,497,540	1,497,539	4,075,371
Sandspit fire protection	54,240	15,470	28,667
Emergency programming	89,030	26,388	20,839
Islands solid waste	936,930	932,491	866,382
Regional recycling	701,900	691,219	703,191
Planning	250,620	168,500	30,685
Economic development	76,070	28,915	27,081
Prince Rupert Regional Archives	84,380	88,505	79,712
North Pacific Cannery	102,000	102,000	101,952
Haida Gwaii Museum	76,500	76,500	71,012
Vancouver Island Regional Library	44,160	44,156	41,820
Haida Gwaii recreation	135,200	122,530	133,223
Mainland recreation	12,000	11,818	11,800
Sandspit water utility	105,000	102,185	74,378
Oona River telephone	-	-	975
Sandspit hall	23,360	10,381	11,514
Amortization / loss on disposal	<u>-</u>	<u>153,527</u>	<u>142,936</u>
	<u>5,276,825</u>	<u>4,952,648</u>	<u>7,245,427</u>
REVENUE OVER EXPENDITURE	- 234,215	233,856	536,698
OPENING REGIONAL DISTRICT POSITION	<u>4,735,309</u>	<u>4,735,309</u>	<u>4,198,611</u>
CLOSING REGIONAL DISTRICT POSITION	<u>4,501,094</u>	<u>4,969,165</u>	<u>4,735,309</u>

NORTH COAST REGIONAL DISTRICT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31

STATEMENT C

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	233,856	536,698
Amortization / loss on disposal	153,527	142,936
Landfill closure costs accrual	43,418	29,115
Accounts payables and accruals	78,393	- 90,059
Trade and other receivables	- 162,728	182,652
Deferred revenue	129,585	184,670
Prepaid expenses	14,814	4,523
	<u>490,865</u>	<u>990,535</u>
FINANCING ACTIVITIES		
Debt repayment	- 75,228	- 195,512
Debt financing	<u>-</u>	<u>43,510</u>
	<u>- 75,228</u>	<u>- 152,002</u>
INVESTING ACTIVITIES		
Purchase of physical assets	- 45,061	- 57,127
Sale of physical assets	<u>6,000</u>	<u>3,525</u>
	<u>- 39,061</u>	<u>- 53,602</u>
CHANGE IN CASH	376,576	784,931
OPENING CASH AND INVESTMENTS	<u>3,201,941</u>	<u>2,417,010</u>
CLOSING CASH AND INVESTMENTS	<u>3,578,517</u>	<u>3,201,941</u>

NORTH COAST REGIONAL DISTRICT
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31
STATEMENT D

	2016	2015
	\$	\$
Revenue over expenditure	233,856	536,698
Amortization of physical assets	153,527	142,936
Purchase of physical assets	- 45,061	- 57,127
Sale of physical assets	6,000	3,525
Prepaid expenses	<u>14,814</u>	<u>4,523</u>
 Increase in net financial assets	 363,136	 630,555
 Opening net financial assets	 <u>1,419,787</u>	 <u>789,232</u>
 Closing net financial assets	 <u>1,782,923</u>	 <u>1,419,787</u>

NORTH COAST REGIONAL DISTRICT

NOTES

DECEMBER 31, 2016

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.

NORTH COAST REGIONAL DISTRICT

NOTES

DECEMBER 31, 2016

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

	2016	2015
Provincial and Federal governments	\$ 190,492	\$ 135,341
Regional and local governments	157,510	120,504
Trade receivables and other	<u>121,880</u>	<u>51,309</u>
	<u>\$ 469,882</u>	<u>\$ 307,154</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.

NORTH COAST REGIONAL DISTRICT

NOTES

DECEMBER 31, 2016

4. ACCOUNTS PAYABLE AND ACCRUALS

	2016	2015
Provincial and Federal governments	\$ 10,825	\$ 5,971
Regional and local governments	84,764	40,264
Payroll	137,653	113,497
Trade payables and other	157,979	153,096
	<u>\$ 391,221</u>	<u>\$ 312,828</u>

5. LANDFILL CLOSURE COSTS 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.

	2016	2015
Gas tax	\$ 1,456,161	\$ 1,324,768
Other	57,449	59,257
	<u>\$ 1,513,610</u>	<u>\$ 1,384,025</u>

7. MFA DEBENTURES AND 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.

8. 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.

NORTH COAST REGIONAL DISTRICT

NOTES

DECEMBER 31, 2016

8. DEBENTURES ISSUED FOR MUNICIPALITIES (continued)

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. EXPENDITURES BY TYPE

	2016	2015
Director remuneration	\$ 155,475	\$ 152,183
Director travel	39,893	49,148
Staff remuneration and benefits	1,248,140	1,150,822
Staff travel and education	39,173	46,093
Interest	21,809	31,329
Purchased services, grants and supplies	1,797,092	1,597,545
Municipal debt payments	1,497,539	4,075,371
Amortization	153,527	142,936
	<u>\$ 4,952,648</u>	<u>\$ 7,245,427</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. Active members include approximately 37,000 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 is then adjusted to the extent there is amortization of any funding deficit.

NORTH COAST REGIONAL DISTRICT

NOTES

DECEMBER 31, 2016

10. PENSION INFORMATION (continued)

The most recent actuarial valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2018 with results available in 2019.

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 \$82,229 (2015 - \$67,332) for employer contributions to the plan in fiscal 2016.

11. PURPOSE OF ORGANIZATION

The North Coast 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 services ranging from solid waste management and recycling to land use planning, water supply and public safety.

NORTH COAST REGIONAL DISTRICT

STATEMENT OF SURPLUS

YEAR ENDED DECEMBER 31

SCHEDULE 1

	2016	2015
	\$	\$
Administration	229,477	192,716
Electoral areas	186,308	142,721
Grant-in-aid	18,637	11,067
Sandspit fire protection	12,768	738
Emergency programming	75,233	80,228
Islands solid waste	222,788	202,830
Regional recycling	127,910	98,436
Planning	120,951	66,729
Economic development	43,729	17,480
Prince Rupert Regional Archives	18,858	17,258
North Pacific Cannery	35,259	26,372
Haida Gwaii Museum	8,638	6,070
Vancouver Island Regional Library	6,563	4,416
Haida Gwaii recreation	25,363	12,519
Mainland recreation	1,338	1,164
Sandspit water utility	77,833	59,614
Sandspit hall	16,987	6,439
Feasibility studies	10,698	5,553
	<u>1,239,338</u>	<u>952,350</u>

NORTH COAST REGIONAL DISTRICT
STATEMENT OF RESERVE FUNDS
YEAR ENDED DECEMBER 31
SCHEDULE 2

	2016	2015
	\$	\$
Opening balance	635,550	600,108
Interest	15,852	17,192
Transfer to Operating Fund	- 29,745	- 31,898
Transfer from Operating Fund	<u>-</u>	<u>50,148</u>
Closing balance	<u>621,657</u>	<u>635,550</u>

Represented by the following reserve funds

Bylaw 486 Sandspit Water	90,108	87,606
Bylaw 561 Electoral Area Administration	39,270	38,180
Bylaw 566 General Administration	85,087	82,725
Bylaw 567 Feasibility Studies	26,667	25,927
Bylaw 568 Regional Recycling - Other	36,723	35,704
Bylaw 568 Regional Recycling - Building	117,051	116,032
Bylaw 569 Island Solid Waste	226,670	220,378
Bylaw 569 Landfill Closure	-	28,919
Bylaw 602 Haida Gwaii Recreation	<u>81</u>	<u>79</u>
	<u>621,657</u>	<u>635,550</u>

NORTH COAST REGIONAL DISTRICT
STATEMENT OF CHANGES IN EQUITY IN PHYSICAL ASSETS
YEAR ENDED DECEMBER 31
SCHEDULE 3

	2016	2015
	\$	\$
Opening balance	<u>3,147,409</u>	<u>3,084,740</u>
Increase (decrease) in equity		
Contribution from operations	45,061	13,618
Sale of physical assets	- 6,000	- 3,525
Debt repayment	56,756	59,783
Actuarial additions	18,471	135,729
Amortization / loss on disposal	<u>- 153,527</u>	<u>- 142,936</u>
	<u>- 39,239</u>	<u>62,669</u>
Closing balance	<u>3,108,170</u>	<u>3,147,409</u>

NORTH COAST 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 2016	Total 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	279,748	-	-	279,748	-	-	-	-	279,748	279,748
Buildings	1,556,043	-	-	1,556,043	339,637	38,901	-	378,538	1,177,505	1,216,406
Automotive	250,806	20,330	-26,378	244,758	90,858	22,114	-10,552	102,420	142,338	159,948
Equipment	482,672	24,731	-	507,403	218,868	36,947	-	255,815	251,588	263,804
Infrastructure	1,829,571	-	-	1,829,571	457,392	45,739	-	503,131	1,326,440	1,372,179
	4,398,840	45,061	-26,378	4,417,523	1,106,755	143,701	-10,552	1,239,904	3,177,619	3,292,085

