

**SKEENA-QUEEN CHARLOTTE
REGIONAL DISTRICT**

FINANCIAL STATEMENTS

DECEMBER 31, 2012

**SKEENA-QUEEN CHARLOTTE
REGIONAL DISTRICT**

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DECEMBER 31, 2012

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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, 2012 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 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.

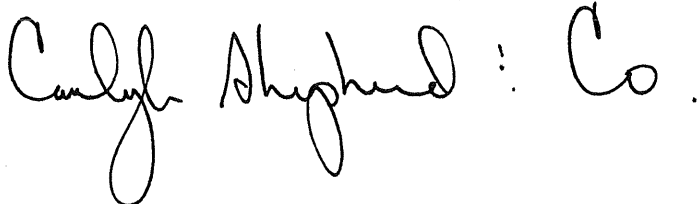
Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2012 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 24, 2013



SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31

STATEMENT A

	2012	2011
	\$	\$
FINANCIAL ASSETS		
Cash and investments (note 1)	1,728,206	1,186,487
Trade and other receivables	226,220	383,374
MFA deposit (note 2)	265,365	257,583
Due from Municipalities	<u>12,443,281</u>	<u>13,217,538</u>
	<u>14,663,072</u>	<u>15,044,982</u>
LIABILITIES		
Accounts payable and accruals	242,446	204,662
Landfill closure costs accrual	87,721	54,884
Deferred revenue (note 3)	1,027,693	612,140
MFA debt reserve (note 2)	265,365	257,583
MFA debentures/leases for Regional District (note 4)	337,641	418,436
Debentures issued for Municipalities (note 5)	<u>12,443,281</u>	<u>13,217,538</u>
	<u>14,404,147</u>	<u>14,765,243</u>
NET FINANCIAL ASSETS		
	258,925	279,739
Physical assets (schedule 4 and note 1)	3,356,395	3,350,141
Prepaid expenses	<u>35,787</u>	<u>28,449</u>
NET POSITION		
	<u>3,651,107</u>	<u>3,658,329</u>
REGIONAL DISTRICT POSITION		
Operating surplus (schedule 1)	526,970	542,407
Reserve funds (schedule 2)	203,134	172,576
Equity in physical assets (schedule 3)	<u>2,921,003</u>	<u>2,943,346</u>
	<u>3,651,107</u>	<u>3,658,329</u>

APPROVED BY THE BOARD

_____ Chair

_____ Treasurer

SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED DECEMBER 31

STATEMENT B

	Unaudited Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
REVENUE			
Taxation	1,267,234	1,267,234	1,230,235
Grants in lieu	60,379	50,024	129,527
Sales, fees and other	1,370,859	1,289,235	1,369,636
Provincial and federal grants	200,000	200,000	945,420
Municipal debt payments	1,405,723	1,387,243	1,405,723
	<u>4,304,195</u>	<u>4,193,736</u>	<u>5,080,541</u>
EXPENDITURE			
Administration	590,359	558,449	423,716
Electoral areas	208,997	204,161	162,676
Municipal debt service	1,405,723	1,387,243	1,405,723
Planning	95,145	45,893	23,885
Economic development	36,750	36,750	36,750
Regional waste management	12,282	-	-
Mainland recreation	4,900	4,900	4,900
Prince Rupert Regional Archives	68,004	68,004	68,004
North Pacific Cannery	88,200	88,200	88,200
Regional recycling	585,801	542,990	560,055
Islands solid waste	906,301	748,098	738,800
QCI recreation	106,567	105,093	118,284
Haida Gwaii Museum	67,556	67,556	59,550
Vancouver Island Regional Library	37,576	37,578	37,655
Oona River telephone	4,000	4,000	4,965
Sandspit fire protection	87,684	88,433	30,570
Sandspit water utility	88,053	81,310	75,490
Dodge Cover water utility	-	-	46,400
Feasibility study	5,250	2,283	-
Sandspit Community Society	4,000	-	-
Amortization	-	130,017	136,509
	<u>4,403,148</u>	<u>4,200,958</u>	<u>4,022,132</u>
REVENUE OVER EXPENDITURE	- 98,953	- 7,222	1,058,409
OPENING REGIONAL DISTRICT POSITION	<u>3,658,329</u>	<u>3,658,329</u>	<u>2,599,920</u>
CLOSING REGIONAL DISTRICT POSITION	<u>3,559,376</u>	<u>3,651,107</u>	<u>3,658,329</u>

SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31

STATEMENT C

	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	- 7,222	1,058,409
Amortization	130,017	136,509
Trade and other receivables	157,154	- 121,518
Accounts payables and accruals	37,784	62,128
Landfill closure costs accrual	32,837	30,091
Deferred revenue	415,553	- 331,865
Prepaid expenses	- 7,338	- 19,193
	<u>758,785</u>	<u>814,561</u>
FINANCING ACTIVITIES		
Debt repayment	<u>- 80,795</u>	<u>- 78,541</u>
INVESTING ACTIVITIES		
Physical asset purchases	<u>- 136,271</u>	<u>- 771,274</u>
CHANGE IN CASH	541,719	- 35,254
OPENING CASH AND INVESTMENTS	<u>1,186,487</u>	<u>1,221,741</u>
CLOSING CASH AND INVESTMENTS	<u>1,728,206</u>	<u>1,186,487</u>

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

	2012	2011
	\$	\$
Revenue over expenditure	- 7,222	1,058,409
Amortization of physical assets	130,017	136,509
Purchase of physical assets	- 136,271	- 771,274
Prepaid expenses	<u>- 7,338</u>	<u>- 19,193</u>
 Increase (decrease) in net financial assets (liabilities)	 - 20,814	 404,451
 Opening net financial assets (liabilities)	 <u>279,739</u>	 <u>- 124,712</u>
 Closing net financial assets (liabilities)	 <u>258,925</u>	 <u>279,739</u>

SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

NOTES

DECEMBER 31, 2012

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, 2012

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.

	2012	2011
Provincial operating grant	\$ 158,428	\$ 75,233
Towhill Blowhole grant	100,000	-
Gas tax	759,319	526,961
Other	9,946	9,946
	<u>\$ 1,027,693</u>	<u>\$ 612,140</u>

SKEENA-QUEEN CHARLOTTE REGIONAL DISTRICT

NOTES

DECEMBER 31, 2012

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

	2012	2011
Director remuneration	\$ 133,876	\$ 126,054
Director travel	48,253	39,011
Staff remuneration and benefits	1,084,613	952,739
Staff travel and education	41,786	31,109
Interest	30,957	32,146
Purchased services, grants and supplies	1,474,230	1,435,350
Municipal debt payments	1,387,243	1,405,723
	<u>\$ 4,200,958</u>	<u>\$ 4,022,132</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, 2012

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 176 000 active members and approximately 67 000 retired members. Active members include approximately 35 000 from local governments.

The most recent actuarial valuation as at December 31, 2009 indicated a \$1,024,000 funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. 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. 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

	Unappropriated Surplus	Appropriated Surplus	2012	2011
	\$	\$	\$	\$
Administration	68,870	2,932	71,802	137,091
Electoral areas	36,137	5,000	41,137	52,040
Planning	53,874	-	53,874	55,575
Economic development	66	-	66	99
Regional waste management	11,782	-	11,782	11,782
Mainland recreation	146	-	146	646
Prince Rupert Regional Archives	3,886	-	3,886	3,325
North Pacific Cannery	4,426	-	4,426	4,530
Regional recycling	27,744	-	27,744	80,314
Islands solid waste	215,973	45,550	261,523	182,408
QCI recreation	9,030	-	9,030	2,606
Haida Gwaii Museum	6,423	-	6,423	2,732
Vancouver Island Regional Library	1,490	-	1,490	619
Sandspit fire protection	- 2,417	-	- 2,417	- 1,648
Sandspit water utility	11,155	-	11,155	5,288
Feasibility study	4,124	5,000	9,124	5,000
Emergency programming	15,779	-	15,779	-
	<u>468,488</u>	<u>58,482</u>	<u>526,970</u>	<u>542,407</u>

The appropriated surplus will be transferred to specific reserves to be established in the 2013 fiscal year.

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

	2012	2011
	\$	\$
Opening balance	172,576	193,463
Interest	3,741	3,863
Transfer to Operating Fund	-	- 33,382
Transfer from Operating Fund	<u>26,817</u>	<u>8,632</u>
Closing balance	<u>203,134</u>	<u>172,576</u>

Represented by the following reserve funds

Waste management	169,203	139,357
Sandspit water utility	<u>33,931</u>	<u>33,219</u>
	<u>203,134</u>	<u>172,576</u>

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

	2012	2011
	\$	\$
Opening balance	<u>2,943,346</u>	<u>2,233,590</u>
Increase (decrease) in equity		
Asset additions	30,587	771,275
Debt repayment	55,357	55,224
Actuarial additions	21,730	19,766
Amortization	<u>- 130,017</u>	<u>- 136,509</u>
	<u>- 22,343</u>	<u>709,756</u>
Closing Balance	<u>2,921,003</u>	<u>2,943,346</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 \$	Closing Balance \$	Total 2012 \$	Total 2011 \$
Land	302,148	- 22,400	279,748	-	-	-	279,748	302,148
Buildings	1,383,275	-	1,383,275	193,059	34,582	227,641	1,155,634	1,190,216
Automotive	182,954	26,378	209,332	115,905	18,571	134,476	74,856	67,049
Equipment	325,458	132,293	457,751	89,865	31,125	120,990	336,761	235,593
Infrastructure	1,829,571	-	1,829,571	274,436	45,739	320,175	1,509,396	1,555,135
	<u>4,023,406</u>	<u>136,271</u>	<u>4,159,677</u>	<u>673,265</u>	<u>130,017</u>	<u>803,282</u>	<u>3,356,395</u>	<u>3,350,141</u>