

Regional District of Alberni-Clayoquot

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DECEMBER 31, 2011

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Mollon Tyler-Mollon

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Chairperson and Directors of the Regional District of Alberni-Clayoquot,

Report on Financial Statements

We have audited the accompanying financial statements of the Regional District of Alberni-Clayoquot, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from 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 our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Regional District of Alberni-Clayoquot operates landfill facilities of which the closure and post-closure liabilities are not susceptible to satisfactory audit verification and are carried on the statement of financial position at \$1,361,336. Accordingly, our verification of this liability was limited to the amounts recorded in the accounts of the district and we were not able to determine whether any adjustments might be necessary to certain liabilities, expenses, or surpluses.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Regional District of Alberni-Clayoquot as at December 31, 2011 and the results of its operations and cash flow for the year then ended in accordance with Public Sector Accounting Standards. As required by the Local Government Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS

Port Alberni, BC
June 18, 2012

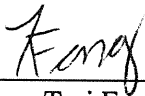
Regional District of Alberni-Clayoquot

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

PAGE 1

	2011	2010
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 11,346,178	\$ 10,666,096
Accounts receivable (note 2)	628,627	496,088
Term receivables from municipalities (note 3)	8,831,780	7,358,057
Municipal Finance Authority debt reserve deposit (note 4)	573,117	481,966
Inventories for resale	40,854	18,906
	<u>21,420,556</u>	<u>19,021,113</u>
LIABILITIES		
Accrued liabilities	484,476	739,222
Deferred revenue	207,164	302,314
Deposits (note 5)	161,705	221,993
Short-term borrowing (note 6)	38,000	1,364,500
Landfill closure and post-closure liability (note 7)	1,361,336	1,241,336
Municipal Finance Authority debt reserve (note 4)	573,117	481,966
Obligations under capital leases (note 8)	142,748	205,996
Debenture debt (note 9) - Schedule 2	9,771,580	7,358,057
	<u>12,740,126</u>	<u>11,915,384</u>
NET FINANCIAL ASSETS	<u>8,680,430</u>	<u>7,105,729</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 10) - Schedule 1	18,419,423	19,290,026
Prepaid expenses	17,851	10,221
	<u>18,437,274</u>	<u>19,300,247</u>
ACCUMULATED SURPLUS	<u>\$ 27,117,704</u>	<u>\$ 26,405,976</u>



Teri Fong, CGA
Manager of Finance

The accompanying notes are an integral part of these statements

Regional District of Alberni-Clayoquot

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011

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	2011 Actual	2011 Budget	2010 Actual
REVENUE			
Tax requisitions	\$ 4,565,228	\$ 4,271,975	\$ 4,027,221
Grants in lieu of taxes	68,234	24,750	107,769
Services provided to other governments	124,246	70,000	83,349
Sales of services	2,880,589	2,765,212	2,899,012
Miscellaneous revenue	951,551	212,924	872,591
Government transfers			
Conditional	1,489,669	757,352	798,028
Unconditional	<u>356,622</u>	<u>120,000</u>	<u>173,353</u>
	<u>10,436,139</u>	<u>8,222,213</u>	<u>8,961,323</u>
EXPENSES			
General government services	1,093,573	1,043,500	646,883
Electoral area administration	87,360	2,254,539	77,614
Management of development - rural	361,774	427,700	329,645
Regional planning services	102,457	115,300	113,679
Building inspection service	186,295	217,000	213,817
Park services	117,108	184,346	111,195
Fire protection	898,458	659,950	414,837
Landfill services	2,397,012	3,168,350	2,174,360
AV water study	12,285	13,591	22,964
AV Tourism marketing	87,754	80,000	80,551
Custom transit	414,063	450,327	401,605
Airport services	334,163	678,500	260,697
Amortization of tangible capital assets	481,812	-	454,642
Street lighting	1,757	1,850	1,728
Emergency planning	88,215	94,657	97,112
E911 telephone service	263,999	264,252	260,185
Vancouver Island library service	338,844	338,845	334,263
South Long Beach bike path	3,500	3,600	3,500
Grant-in-aid	310,427	316,541	297,249
Noise control	3,026	6,000	13,000
Animal control	944	6,000	200
Multi-purpose arena contribution	323,124	324,772	197,010
Water systems	128,825	190,841	123,398
Salmon Beach	249,684	509,257	224,631
Salmon Beach power grid transfer to BC Hydro	<u>1,437,952</u>	<u>-</u>	<u>-</u>
	<u>9,724,411</u>	<u>11,349,718</u>	<u>6,854,765</u>
Annual surplus (deficit)	<u>\$ 711,728</u>	<u>\$ (3,127,505)</u>	<u>\$ 2,106,558</u>
Accumulated surplus at beginning of year	\$ 26,405,976	\$ 26,405,976	\$ 24,225,539
Prior period adjustment (note 11)	<u>-</u>	<u>-</u>	<u>73,879</u>
Accumulated surplus, restated	26,405,976	26,405,976	24,299,418
Annual surplus (deficit)	<u>711,728</u>	<u>(3,127,505)</u>	<u>2,106,558</u>
Accumulated surplus at end of year	<u>\$ 27,117,704</u>	<u>\$ 23,278,471</u>	<u>\$ 26,405,976</u>

The accompanying notes are an integral part of these statements

Regional District of Alberni-Clayoquot

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

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	2011 Actual	2011 Budget	2010 Actual
Annual surplus (deficit)	\$ <u>711,728</u>	\$ <u>(3,127,505)</u>	\$ <u>2,106,558</u>
Acquisition of tangible capital assets	(1,049,162)	-	(2,421,845)
Amortization of tangible capital assets	481,812	-	454,642
Loss on disposition of tangible capital assets	1,437,952	-	3,695
Proceeds on disposition of tangible capital assets	-	-	9,000
Acquisition of prepaid expenses	<u>(7,629)</u>	<u>-</u>	<u>(3,256)</u>
	<u>862,973</u>	<u>-</u>	<u>(1,957,764)</u>
Change in net financial assets (net debt)	1,574,701	(3,127,505)	148,794
Net financial assets at beginning of year	<u>7,105,729</u>	<u>7,105,729</u>	<u>6,956,935</u>
Net financial assets (net debt) at end of year	<u><u>\$ 8,680,430</u></u>	<u><u>\$ 3,978,224</u></u>	<u><u>\$ 7,105,729</u></u>

The accompanying notes are an integral part of these statements

Regional District of Alberni-Clayoquot

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2011

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	2011	2010
OPERATING ACTIVITIES		
Annual surplus (note 12)	\$ 711,728	\$ 2,106,558
Amortization	481,812	454,642
Loss on disposition of tangible capital asset	-	3,695
Salmon Beach power grid transfer to BC Hydro	(1,437,952)	-
BVFD consolidation	(73,879)	73,880
Net change in non cash working capital	<u>(452,302)</u>	<u>497,463</u>
	<u>(770,593)</u>	<u>3,136,238</u>
FINANCING ACTIVITIES		
Actuarial adjustment to long term debt	-	(178,442)
Actuarial adjustment to municipal portion of long term debt	(114,874)	(97,875)
Decrease in term receivables from municipalities	-	454,938
Increase in term receivables from municipalities	1,473,723	-
Repayment of long term debt principal	-	(45,364)
Proceeds from long term debt	939,800	-
Repayment of municipal portion of long term debt principal	(357,064)	(357,063)
Proceeds from municipal portion of long term debt	1,948,000	-
Repayment of capital leases	(63,248)	(58,226)
Repayment of short term borrowing	(1,326,500)	(26,500)
Increase in short term borrowing	<u>-</u>	<u>1,275,000</u>
	<u>2,499,837</u>	<u>966,468</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(1,049,162)	(2,421,844)
Proceeds from disposition of tangible capital asset	<u>-</u>	<u>9,000</u>
	<u>(1,049,162)</u>	<u>(2,412,844)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	680,082	1,689,862
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,666,096</u>	<u>8,976,234</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,346,178</u>	<u>\$ 10,666,096</u>
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Term deposits	\$ 5,000	\$ 5,000
Bank balances	<u>11,341,178</u>	<u>10,661,096</u>
	<u>\$ 11,346,178</u>	<u>\$ 10,666,096</u>

The accompanying notes are an integral part of these statements

Regional District of Alberni-Clayoquot

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED DECEMBER 31, 2011

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BASIS OF PRESENTATION

The consolidated financial statements of the District are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The consolidated financial statements reflect the combined results and activities of the consolidated entity.

BUDGET REPORTING

The unaudited budget information reported in the consolidated statement of operations (page 2) and the consolidated statement of change in net debt (page 3) represents the 2011 budget as adopted by the District's Board on February 9, 2011.

INVESTMENTS

Investments are carried at cost, which approximate market value.

INVENTORY

Fuel inventory is valued at the lower of cost or net realizable value.

TANGIBLE CAPITAL ASSETS

Tangible capital assets (TCAs) are recorded at cost and amortized on a straight line basis, based on their expected useful life. The expected useful life of the District's TCAs are as follows:

Airport	10 years; 15 years; 25 years; 40 years; 50 years
Fire departments	5 years; 7 years; 15 years; 25 years; 40 years; 50 years
Office and administration	5 years; 7 years; 40 years
Land	Not amortized
Landfills	Projected closures - 2095 and 2096; 10 years; 25 years; 40 years
Parks	5 years; 10 years; 15 years; 25 years
Salmon Beach	10 years; 25 years; 50 years;
Water systems	25 years

The District's threshold to capitalize TCAs varies between \$2,500 and \$5,000 with the exception of land which is always capitalized.

LONG TERM DEBT

Long term debt is recorded net of any related sinking fund installments and actuarial additions. Debt charges are charged against current revenue in the periods in which they are accrued. The debt schedule indicates the amount of debt payable in accordance with schedules received from the Municipal Finance Authority.

Regional District of Alberni-Clayoquot

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2011

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REVENUE AND EXPENDITURE RECOGNITION

Revenue is recorded in the period in which the transactions or events that gave rise to the revenue occur. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the District discharges the obligations that led to the collection of funds.

Revenues from other levels of governments, classified as grants in lieu of taxes, are recorded in the District's records as they are received.

Each Municipality and Electoral Area within the Regional District is requisitioned for their portion of each service in which they participate. These funds are then levied by the Municipalities and the Province (for Electoral Areas) to individual taxpayers and turned over to the District by August 1 of each year.

Expenditures are recorded on an accrual basis and are recognized in the period in which the goods and services are acquired and a liability is incurred or transfers are due. Expenditures include the accrual of debt and related interest payable to the end of the fiscal period.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, and losses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they became known. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Since a precise determination of many assets and liabilities depends on future events, actual results may differ from such estimates and approximations. Significant areas requiring the use of estimates include the amortization of tangible capital assets and land fill closure obligations.

DEFERRED REVENUE

Deferred revenue includes amounts received related to the curbside recycling program but not yet earned. These amounts will be recognized as revenue in the next fiscal year.

GOVERNMENT TRANSFERS

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

FINANCIAL INSTRUMENTS

Financial instruments consist of cash and short-term deposits, accounts receivable, investments, municipal debt receivable, short-term loans, accounts payable, obligations under capital leases, other liabilities, and long-term debt. Unless otherwise noted, it is management's opinion that the Regional District is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Regional District of Alberni-Clayoquot

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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NOTE 1 NATURE OF THE ORGANIZATION

The Regional District of Alberni-Clayoquot (the District) was established under the Local Government Act of British Columbia on April 21, 1966. As with all regional districts, the District provides a number of specific and agreed upon services directly to the public and its member municipalities. The District serves as the borrowing conduit between member municipalities and the Municipal Finance Authority of British Columbia (MFA).

NOTE 2 ACCOUNTS RECEIVABLE

	2011	2010
Accounts receivable	\$ 575,789	\$ 414,670
Goods and Services tax/Harmonized Sales tax	<u>64,008</u>	<u>89,201</u>
	639,797	503,871
Less allowance for doubtful accounts	<u>(11,170)</u>	<u>(7,783)</u>
Accounts receivable - net	<u>\$ 628,627</u>	<u>\$ 496,088</u>

NOTE 3 TERM RECEIVABLES FROM MUNICIPALITIES

Pursuant to the Local Government Act, the Regional District acts as the agency through which its member municipalities borrow funds from the Municipal Finance Authority (MFA). The annual cost of servicing this municipal debt is recovered entirely from the borrowing member municipality. However, in the event of default the Regional District is contingently liable to the MFA for this debt.

	2011	2010
City of Port Alberni	\$ 3,618,804	\$ 3,851,824
District of Ucluelet	2,050,037	124,860
District of Tofino	1,087,429	1,122,543
Multiplex Arena	<u>2,075,510</u>	<u>2,258,830</u>
	<u>\$ 8,831,780</u>	<u>\$ 7,358,057</u>

NOTE 4 DEBT RESERVE FUND

The Municipal Finance Authority of British Columbia provides capital financing for Regional Districts and their Member Municipalities. The Authority is required to establish a Debt Reserve Fund into which each Regional District and Member Municipality, who share in the proceeds of a debt issue through the District, are required to pay certain amounts set out in the debt agreements. Interest earned on these funds (less administrative expenses) becomes an obligation of the Authority to the Regional District. If at any time insufficient funds are provided by the Regional District or Member Municipalities, the Authority will then use these funds to meet payments on its obligations. When this occurs, the Regional District may be called upon to restore the fund.

Regional District of Alberni-Clayoquot

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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NOTE 5 DEPOSITS

	2011	2010
Performance deposits	<u>\$ 161,705</u>	<u>\$ 221,993</u>

Performance deposits are funds collected from various property developers and held as security to ensure the completion of specified agreed on works. These funds will be released once the related works are completed, or used by the District to complete the works for which they are held.

NOTE 6 SHORT TERM BORROWING

The following amounts have been borrowed from MFA on a short term basis:

	2011	2010
Salmon Beach Land	\$ 27,000	\$ 40,500
Sproat Lake Park	11,000	24,000
Salmon Beach Power	<u>-</u>	<u>1,300,000</u>
	<u>\$ 38,000</u>	<u>\$ 1,364,500</u>

NOTE 7 SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE LIABILITY

The Regional District of Alberni-Clayoquot operates the Alberni Valley Landfill and the West Coast Landfill. These sites are subject to closure and post-closure requirements as determined by the British Columbia Ministry of Environment. In accordance with Public Sector Accounting and Auditing Standards, financial statements should recognize a liability for closure and post-closure care as a landfill site's capacity is used. Each year the Regional District makes a contribution to the Closure and Post Closure Fund to offset future liabilities that will be incurred when the landfills reach capacity and are closed. The estimated closure date of the Alberni Valley Landfill is 2096 while the estimated closure date of the West Coast Landfill is 2095. A capacity study for Alberni Valley Landfill is expected to be complete during 2012.

Regional District of Alberni-Clayoquot

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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NOTE 8 OBLIGATIONS UNDER CAPITAL LEASES

The Regional District has financed assets under capital leases in the amount of \$284,533 (2010 - \$449,807), including the Salmon Beach Pumper and Bamfield Fire Hall. The 2011 capital lease principal payments totaled \$63,248 (2010 - \$70,102). The outstanding obligation balance for leased capital assets as at December 31, 2011 was \$142,748 (2010 - \$205,996).

All capital leases are held by the MFA Leasing Corporation. While payments are fixed for the term of the lease, interest rates are variable daily based upon the Canadian prime rate minus 1%. An interest adjustment is made at the time of the final payment. In 2011, interest expenditures related to lease liabilities were \$6,696 (2010 - \$3,786).

Lease payment commitments for the next five years are:

2012	\$ 50,493
2013	29,188
2014	29,188
2015	29,188
2016	<u>17,025</u>
	155,082
Less: Imputed Interest	<u>12,334</u>
Net Obligation under Capital Lease	<u>\$ 142,748</u>

NOTE 9 DEBENTURE DEBT

Currently, all borrowings for the District are entered into with the MFA. Debt interest costs are charged against revenue as incurred.

Principal payments and sinking fund installments due within the next five years and thereafter are as follows:

2012	\$ 423,956
2013	423,956
2014	423,956
2015	423,956
2016	343,617
Thereafter	<u>7,732,139</u>
	<u>\$ 9,771,580</u>

Sinking fund installments are invested by MFA and earn income which, together with principal payments, are expected to be sufficient to retire the sinking fund issues at maturity.

Regional District of Alberni-Clayoquot

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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NOTE 10 TANGIBLE CAPITAL ASSETS

Net Book Value	2011	2010
Airports	\$ 1,722,635	\$ 1,361,213
Fire department	2,017,038	2,057,851
Office and administration	507,916	523,713
Land	4,261,950	4,261,950
Landfills	7,803,760	7,865,200
Parks	105,917	102,311
Salmon Beach	332,858	1,581,589
Water systems	1,205,148	1,269,555
Assets under construction	<u>462,201</u>	<u>266,644</u>
	<u>\$ 18,419,423</u>	<u>\$ 19,290,026</u>

Land includes a right-of way value of \$16,300 which relates to the land where the Bamfield Fire Department building is situated.

NOTE 11 PRIOR PERIOD ADJUSTMENT

During the year it was noted that the Bamfield Volunteer Fire Department's activity was not consolidated with the regional district in the previous year. This was adjusted to reflect the actual amounts at year end. The effect of the adjustment on comparative figures is as follows:

Cash and cash equivalents increased by	\$ 73,879
Accumulated surplus increased by	\$ 73,879

NOTE 12 STATEMENT OF CASH FLOW

Operating activities include interest received during the year in the amount of \$124,828 (2009 - \$89,391).

NOTE 13 PENSION LIABILITY

The municipality and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee 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 pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 173,000 active members and approximately 63,000 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 the adequacy of plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded actuarial liability of \$1,024,189 for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the surplus to individual employers.

Regional District of Alberni-Clayoquot

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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NOTE 14 VACATION PAY AND BANKED PAY

Employees are advised of their holiday entitlement in January of each year and are paid regular salaries/wages each month inclusive of days off for holidays. At December 31, 2011 the amount of vacation pay not accrued in the financial statements is \$25,419.

Banked pay benefits are recorded as an expenditure in the year payment is made. At December 31, 2011 the amount not accrued in the financial statements is \$204,529.

NOTE 15 GAS TAX AGREEMENT PROGRAM

	2011	2010
Opening balance of unspent funds	\$ 1,665,764	\$ 1,202,455
Add: Amount received during the year	452,069	452,116
Interest earned	<u>20,612</u>	<u>11,193</u>
Closing balance of unspent funds	<u>\$ 2,138,445</u>	<u>\$ 1,665,764</u>

Gas Tax Agreement and Public Transit Agreement funding is provided by the Government of Canada. Public Transit Infrastructure Program funding is provided by the Province of British Columbia. The use of the funding is established by a funding agreement between the local government and the Union of British Columbia Municipalities. Gas Tax Agreement funding may be used toward designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements. Public Transit Agreement and Public Transit Infrastructure Program funding may be applied towards the cost of designated public transit projects, as specified in the funding agreements. The deadline to expend these funds is March 31, 2015.

NOTE 16 ENVIRONMENTAL REGULATIONS

The District is subject to environmental regulations which cover different aspects of its operations. These regulations may require future expenditures to meet applicable standards and subject the District to possible penalties for past violations. Any amounts required to meet obligations will be charged to operations or capitalized, as appropriate. No amounts can be estimated at this time and therefore no liabilities have been recorded at December 31, 2011.

NOTE 17 FINANCIAL INSTRUMENTS

For cash, accounts receivable, other receivables, accounts payable, and other payables, the carrying value of these financial statements approximated their fair market values due to their short-term maturity or capacity for prompt liquidation. The District is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the District has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. The District does not have a significant exposure to any individual customer or counterpart. Unless otherwise noted, it is management's opinion that the District is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

Regional District of Alberni-Clayoquot

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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NOTE 18 THE NORTH ISLAND 9-1-1 CORPORATION

A 9-1-1 emergency dispatch service is provided by the North Island 9-1-1 Corporation, which is owned by the Regional Districts of Comox Valley, Strathcona, Mount Waddington, Alberni-Clayoquot, Nanaimo and Powell River. The shares in the corporation are owned as follows:

Alberni-Clayoquot 3 shares
Comox Valley 6 shares
Strathcona 4 shares

Mount Waddington 1 share
Nanaimo 5 shares
Powell River 2 shares

The Regional District's investment in shares of the North Island 911 Corporation is recorded at cost as it does not fall under the definition of a government partnership (PS3060.06). The Regional District's share of the corporation is equal to 14.3% and the degree of control is proportionate to the ownership share. As no benefits are expected from the ownership, it has not been accounted for as an equity investment.

NOTE 19 RELATED PARTIES

The Alberni-Clayoquot Regional District is related to the Alberni-Clayoquot Regional Hospital District; the same individuals are members of the Board of Directors of both organizations. As legislated by the Hospital District Act, the officers and employees of the Alberni-Clayoquot Regional District are the corresponding officers and employees of the Alberni-Clayoquot Regional Hospital District. Each of the Regional District and the Hospital District are separate legal entities as defined by separate Letters Patent and authorized by separate legislation. During the year the Alberni-Clayoquot Regional Hospital District purchased, at cost, \$15,000 of administrative support services from the Alberni-Clayoquot Regional District.

NOTE 20 CONTINGENCIES

In the normal course of a year, the District is faced with lawsuits for damages of diverse natures. At year-end the District's estimated exposure to each such liability is either not determinable or is not considered to be significant. Claims paid by the District as a result of litigation are reported as expenditures.

NOTE 21 COMPARATIVE FIGURES

Certain of the 2010 amounts have been reclassified to conform with the current year presentation.

NOTE 22 BUDGET FIGURES

Budget figures are unaudited and represent the Financial Plan Bylaw adopted by the Board on February 9, 2011. The financial plan budgeted for capital expenditures rather than amortization expense, and reflects the use of prior year operating surpluses as part of its annual budget. The carry forward of operating surpluses by department is a requirement under the Local Government Act of BC. The financial plan forms the basis for taxation and fees and charges rates which may be required for a particular year. The budget contains certain revenue and expense recognition principles that do not comply with Public Sector Accounting Standards, therefore, certain budget amounts have been restated to conform to the general purpose financial statement presentation.

Regional District of Alberni-Clayoquot

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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NOTE 23 CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009 the District retroactively adopted Section 3150 - Tangible Capital Assets (TCAs) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants. This standard requires that TCAs to be accounted for and reported as assets on the consolidated statement of financial position and amortized over the useful life of the asset in a rational and systematic manner. The amortization of the costs of TCAs should be accounted for as expenses in the consolidated statement of operations. As a result of adopting this policy the District has retroactively applied a new capitalization policy and an amortization policy based on the expected useful life of their Tangible Capital Assets as per significant accounting policy (e) - Tangible capital assets. The net impact of the change in the Tangible Capital Asset accounting policy to the 2008 figures are a \$4,974,977 decrease in Tangible Capital Assets, a \$4,573,094 increase in Surplus, and a \$401,883 increase in Amortization expense.

Effective January 1, 2009 the District retroactively adopted Section 1300 - Government Reporting Entity of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants. This Section defines the scope of the government reporting entity in terms of the organizations whose financial affairs and resources would be included in government financial statements and establishes standards on how to account for and disclose those organizations in government financial statements. The result of adopting this policy is the District has fully consolidated the Beaver Creek Volunteer Fire Department and the Sproat Lake Volunteer Fire Department as part of the reporting entity.

Effective January 1, 2009 the District retroactively adopted the Financial Statement Reporting Framework for Local Governments which includes Section 1000 - Financial Statement Concepts, Section 1100 - Financial Statement Objectives, Section 1150 - Generally Accepted Accounting Principles, and Section 1200 - Financial Statement Presentation of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants. These sections establish the concepts underlying the development and use of accounting principles in government financial statements, the objectives of government financial statements that are generally acceptable to the users and preparers of the statements, the standards for financial reporting in accordance with generally accepted accounting principles, and the general reporting principles and standards for the disclosure of information in government financial statements. As a result of adopting this policy, the District is now issuing the following financial statements: a consolidated statement of financial position, a consolidated statement of operations, a consolidated statement of change in net debt, and a consolidated statement of cash flow.

Regional District of Alberni-Clayoquot

SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 1

	Cost Dec 31, 2010	Additions	Disposals	Cost Dec 31, 2011
Airports	\$ 2,042,058	\$ 662,778	\$ -	\$ 2,704,836
Fire departments	3,707,786	111,478	-	3,819,264
Office and administration	1,572,028	36,007	-	1,608,035
Land	4,261,950	-	-	4,261,950
Landfills	9,060,581	48,298	-	9,108,879
Parks	177,129	16,430	-	193,559
Salmon Beach	1,764,836	153,644	1,437,952	480,528
Water systems	<u>2,329,238</u>	<u>20,527</u>	<u>-</u>	<u>2,349,765</u>
	<u>\$ 24,915,606</u>	<u>\$ 1,049,162</u>	<u>\$ 1,437,952</u>	<u>\$ 24,526,816</u>

Regional District of Alberni-Clayoquot

SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 1

Accumulated Amortization Dec 31, 2010	2011 Amortization	Accumulated Amortization Dec 31, 2011	Book Value	
			2011	2010
\$ 478,895	\$ 77,428	\$ 556,323	\$ 2,148,513	\$ 1,563,163
1,643,975	124,609	1,768,584	2,050,680	2,063,811
1,048,316	51,803	1,100,119	507,916	523,713
-	-	-	4,261,950	4,261,950
1,195,381	109,738	1,305,119	7,803,760	7,865,200
74,818	12,824	87,642	105,917	102,311
124,513	20,476	144,989	335,539	1,640,323
<u>1,059,683</u>	<u>84,934</u>	<u>1,144,617</u>	<u>1,205,148</u>	<u>1,269,555</u>
<u>\$ 5,625,581</u>	<u>\$ 481,812</u>	<u>\$ 6,107,393</u>	<u>\$ 18,419,423</u>	<u>\$ 19,290,026</u>

Regional District of Alberni-Clayoquot

SCHEDULE OF DEBENTURE DEBT
FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 2

<u>By-Law</u>	<u>M.F.A. Issue</u>	<u>Purpose</u>		<u>Type of Security Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Term</u>
1062	97	Port Alberni	F1062	S.F.	April. 19, 2016	4.65%	25 year
1062	97	Port Alberni	F1062	S.F.	April. 19, 2016	4.65%	10 year
1004	64	Port Alberni	1004	S.F.	Sept. 25, 2016	7.250%	10 year
1060	92	Port Alberni	1060	S.F.	June. 4, 2015	5.100%	10 year
F1095	117	Ucluelet	F1074	S.F.	June 14, 2036	3.25%	25 year
F1037	73	Ucluelet	829	S.F.	Dec. 1, 2015	6.360%	15 year
1062	97	Tofino	F1062	S.F.	April 19, 2016	4.65%	25 year
F1037	73	Arena	F1027	S.F.	Dec. 1, 2020	6.360%	20 year
F1041	75	Arena	F1027	S.F.	Dec. 1, 2020	5.900%	20 year
F1096	117	Airport	F1079	S.F.	Oct 12, 2031	3.25%	20 year

Regional District of Alberni-Clayoquot

SCHEDULE OF DEBENTURE DEBT
FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 2

Principal Amount <u>Borrowed</u>	Total Installments <u>To Date</u>	Actuarial <u>Addition</u>	Principal Amount Outstanding December <u>31, 2011</u>	2012 Requirements as of December 31, 2011	
				<u>Principal</u>	<u>Interest</u>
\$ 3,375,064	\$ 405,208	\$ 33,739	\$ 2,936,117	\$ 81,042	\$ 157,278
438,170	182,480	15,192	240,498	36,496	20,419
245,300	111,281	48,800	85,219	7,419	18,204
<u>797,642</u>	<u>398,617</u>	<u>42,054</u>	<u>356,971</u>	<u>66,436</u>	<u>36,293</u>
<u>4,856,176</u>	<u>1,097,586</u>	<u>139,785</u>	<u>3,618,805</u>	<u>191,393</u>	<u>232,194</u>
1,948,000	-	-	1,948,000	46,775	63,310
<u>300,000</u>	<u>154,242</u>	<u>43,721</u>	<u>102,037</u>	<u>13,903</u>	<u>19,050</u>
<u>2,248,000</u>	<u>154,242</u>	<u>43,721</u>	<u>2,050,037</u>	<u>60,678</u>	<u>82,360</u>
<u>1,250,000</u>	<u>150,075</u>	<u>12,496</u>	<u>1,087,429</u>	<u>30,014</u>	<u>58,250</u>
3,579,209	1,201,534	344,505	2,033,170	108,244	227,638
<u>68,332</u>	<u>20,666</u>	<u>5,327</u>	<u>42,339</u>	<u>2,067</u>	<u>3,888</u>
<u>3,647,541</u>	<u>1,222,200</u>	<u>349,832</u>	<u>2,075,509</u>	<u>110,311</u>	<u>231,526</u>
<u>939,800</u>	<u>-</u>	<u>-</u>	<u>939,800</u>	<u>31,560</u>	<u>30,544</u>
<u>\$ 12,941,517</u>	<u>\$ 2,624,103</u>	<u>\$ 545,834</u>	<u>\$ 9,771,580</u>	<u>\$ 423,956</u>	<u>\$ 634,874</u>