

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT
Consolidated Financial Statements
Year Ended December 31, 2013

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Index to Consolidated Financial Statements

Year Ended December 31, 2013

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Accumulated Surplus	6
Consolidated Statement of Changes in Net Financial Assets	7
Consolidated Statement of Cash Flow	8
Notes to Consolidated Financial Statements	9 - 20
Consolidated Schedule of Debenture Debt (<i>Schedule 1</i>)	21
Consolidated Schedule of Tangible Capital Assets (<i>Schedule 2</i>)	22

Management's Responsibility for Financial Reporting

The Consolidated financial statements of Regional District of Alberni-Clayoquot have been prepared in accordance with Canadian public sector accounting standards for British Columbia local governments and are outlined under "Significant Accounting Policies" in the notes to the financial statements. Management is responsible for the integrity and objectivity of these statements as well as the supplementary statements and schedules. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly. Management also maintains a program of proper business compliance.

The Board of Directors is responsible for reviewing and approving the financial statements and for ensuring that management fulfils its responsibilities for financial reporting and internal control.

Duncan Sabine Collyer Partners LLP, the Regional District's independent auditors, have conducted an examination of the financial statements in accordance with generally accepted auditing standards and have expressed their opinion in a report accompanying this statement.



Teri Fong, CGA
Manager of Finance

Port Alberni, BC

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Directors of Regional District of Alberni-Clayoquot

We have audited the accompanying consolidated financial statements of Regional District of Alberni-Clayoquot which comprise the consolidated statement of financial position and the consolidated statements of operations, changes in accumulated surplus, changes 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

(continues)

Independent Auditor's Report to the Chairperson and Directors of Regional District of Alberni-Clayoquot
(continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 closure facilities of which the closure and post-closure liabilities are not susceptible to satisfactory audit verification and are carried on the consolidated statement of financial position at \$1,793,632. Accordingly, our verification of this liability was limited to the amounts recorded in the accounts of the regional 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 effects of the matter described in the preceding paragraph, the consolidated financial statements present fairly, in all material respects the financial position of Regional District of Alberni-Clayoquot as at December 31, 2013 and the results of its operations and its cash flow for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Duncan Sobine Collyer Partners LLP.

Port Alberni, B.C.
April 23, 2014

CERTIFIED GENERAL ACCOUNTANTS

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Consolidated Statement of Financial Position

Year Ended December 31, 2013

	2013	2012
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 12,740,104	\$ 13,441,238
Portfolio investments (Note 3)	746	746
Accounts receivable (Note 4)	1,206,648	1,077,692
Term receivables from municipalities (Note 5)	7,726,448	8,290,562
Municipal Finance Authority debt reserve deposit (Note 6)	587,006	578,334
Inventories for resale	26,956	26,531
	22,287,908	23,415,103
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	733,938	1,326,580
Deferred revenue	267,955	258,077
Deposits (Note 7)	45,000	44,000
Restricted revenues (Notes 8, 9)	1,688,215	2,095,451
Short term borrowing (Note 10)	-	13,500
Landfill closure liability (Note 11)	1,763,632	1,553,271
Municipal Finance Authority debt reserve (Note 6)	587,006	578,334
Capital leases (Note 12)	134,740	178,483
Debenture debt (Note 13), Schedule 1	8,601,865	9,198,802
	13,822,351	15,246,498
NET FINANCIAL ASSETS	8,465,557	8,168,605
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 14), Schedule 2	26,497,822	24,874,939
Inventories of supplies	280,252	65,924
Prepaid expenses	62,293	48,730
	26,840,367	24,989,593
ACCUMULATED SURPLUS	\$ 35,305,924	\$ 33,158,198

Contingent liabilities (Note 21)



Teri Fong, CGA
Manager of Finance

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Consolidated Statement of Operations

Year Ended December 31, 2013

	2013 Budget (See Note 23)	2013 Actual	2012 Actual (restated note 15)
REVENUE			
Tax requisitions	\$ 4,559,681	\$ 4,558,945	\$ 4,405,750
Grants in lieu of taxes	30,400	81,871	77,235
Services provided to other governments	292,493	78,547	83,358
Sales of services	3,332,600	3,570,808	3,406,872
Miscellaneous revenue	188,800	515,358	344,186
Government transfers			
Conditional	3,239,841	1,527,322	5,318,231
Unconditional	130,000	126,605	269,034
	11,773,815	10,459,456	13,904,666
EXPENSES			
General government services	1,291,600	1,003,017	1,210,545
Electoral area administration	92,500	80,696	75,508
Management of development - rural	362,000	261,811	368,215
Regional planning services	152,000	87,445	124,018
Building inspection services	260,000	270,105	193,428
Park services	149,830	88,022	77,581
Fire protection services	574,393	558,525	471,592
Landfill services	2,825,400	2,282,202	2,255,769
AV water study	10,750	960	556
AV Tourism marketing	-	-	17,252
Custom transit	443,000	448,497	431,263
Airport services	395,500	315,668	338,352
Amortization of tangible capital assets	672,500	726,171	676,601
Street lighting	2,110	1,859	2,035
Emergency planning	126,971	95,558	82,983
E911 telephone services	266,000	264,396	261,613
Vancouver Island library services	378,000	377,620	356,128
South Long Beach bike path	7,200	7,100	3,500
Grant-in-aid	319,742	245,120	246,403
Noise control	37,200	35,532	9,180
Animal control	6,100	950	245
Multi-purpose arena contribution	239,350	237,844	252,293
Water systems	819,340	670,453	433,162
Salmon Beach	395,346	252,179	245,921
	9,826,832	8,311,730	8,134,143
ANNUAL SURPLUS	\$ 1,946,983	\$ 2,147,726	\$ 5,770,523

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT
Consolidated Statement of Changes in Accumulated Surplus
Year Ended December 31, 2013

	2013 Budget (See Note 23)	2013 Actual	2012 Actual (restated note 15)
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 33,158,198	\$ 33,158,198	\$ 24,941,075
ANNUAL SURPLUS	1,946,983	2,147,726	5,770,523
	35,105,181	35,305,924	30,711,598
Acquisition of equity from Beaver Creek Improvement District <i>(Note 16)</i>	-	-	2,446,600
ACCUMULATED SURPLUS - END OF YEAR	\$ 35,105,181	\$ 35,305,924	\$ 33,158,198

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Consolidated Statement of Changes in Net Financial Assets

Year Ended December 31, 2013

	2013 Budget (See Note 23)	2013 Actual	2012 Actual (restated note 15)
ANNUAL SURPLUS	\$ 1,946,983	\$ 2,147,726	\$ 5,770,523
Acquisition of prepaids	-	(13,563)	(29,347)
Acquisition of inventory of supplies	-	(214,331)	(19,732)
Acquisition of tangible capital assets	-	(2,352,351)	(5,061,937)
Amortization	672,500	726,171	676,601
Loss on write-off of tangible capital asset	-	3,300	70,638
Acquisition of net financial assets from Beaver Creek Improvement District (Note 16)	-	-	258,057
	672,500	(1,850,774)	(4,105,720)
CHANGE IN NET FINANCIAL ASSETS	2,619,483	296,952	1,664,803
NET FINANCIAL ASSETS - BEGINNING OF YEAR	8,168,605	8,168,605	6,503,802
NET FINANCIAL ASSETS - END OF YEAR	\$ 10,788,088	\$ 8,465,557	\$ 8,168,605

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Consolidated Statement of Cash Flow

Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Annual surplus	\$ 2,147,726	\$ 5,770,523
Items not affecting cash:		
Amortization of tangible capital assets	726,171	676,601
Loss on write-off of tangible capital asset	3,300	70,638
Acquisition of equity from Beaver Creek Improvement District (Note 16)	-	2,446,600
	2,877,197	8,964,362
Changes in non-cash working capital (Note 17)	(1,135,913)	354,524
	1,741,284	9,318,886
FINANCING ACTIVITIES		
Term receivables from municipalities	564,114	541,218
Proceeds from capital lease financing	-	84,270
Repayment of short term borrowing	(13,500)	(24,500)
Repayment of long term debenture debt	(435,399)	(435,400)
Repayment of obligations under capital lease	(43,743)	(48,535)
Actuarial adjustment of long term debt	(161,539)	(137,378)
	(90,067)	(20,325)
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(2,352,351)	(7,202,755)
INVESTING ACTIVITIES		
Purchase of portfolio investments	-	(746)
INCREASE (DECREASE) IN CASH FLOW	(701,134)	2,095,060
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	13,441,238	11,346,178
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 12,740,104	\$ 13,441,238
CASH FLOW SUPPLEMENTARY INFORMATION (Note 17)		
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Bank balances	\$ 12,740,104	\$ 13,441,238

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

1. NATURE OF THE ORGANIZATION

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Interfund transactions and fund balances have been eliminated on consolidation.

Budget reporting

The unaudited budget information reported in the consolidated statement of operations, the consolidated statement of changes in accumulated surplus and the consolidated statement of changes in net financial assets represents the 2013 budget as adopted by the District's Board on March 27, 2013.

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 debenture 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.

Investments

Investments are carried at cost which approximate market value.

Portfolio investments

Portfolio investments include investments in equity securities. Portfolio investments are reported using the cost method, a basis of accounting for portfolio investments whereby the investment is initially recorded at cost and the earnings from such investments are recognized only to the extent received or receivable. When the investment is in the form of shares, dividends received in excess of the District's pro rata share of post acquisition income are recorded as a reduction of the carrying value of the investment.

Inventory

- a) Inventories for resale - Fuel inventory is valued at the lower of cost or net realizable value.
- b) Inventories of supplies - Supplies inventory is valued at the lower of cost and net realizable value with the cost being determined on a first in, first out basis.

(continues)

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Deferred and restricted revenues

- a) Deferred revenue includes amounts received related to the curbside garbage and recycling program but not yet earned. These amounts will be recognized as revenue in the next fiscal year.
- b) Restricted revenue include amounts received for specified projects which are unspent. These amounts will be recognized as revenue when the related expenditures are incurred.

Accrued Employee Benefits

Based on obligations as determined by collective agreements and contractual arrangements, employee benefit accruals, which include an allowance for vacation entitlement and overtime benefits, are recorded in the year in which they are earned.

Post Employment Benefits

The long-term, post employment benefit liability of the regional district will be met by the Municipal Pension Plan into which both employees and the regional district contribute. The regional district is only liable for the interim retirement benefits for early retirees, from the date of retirement to the effective start date of the Municipal Pension Plan. Any liability for these benefits is accrued when the event occurs and the obligation arises.

Debenture debt

Debenture 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.

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.

(continues)

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 15, 25, 40 and 50 years
Fire departments	5, 7, 15, 25, 40 and 50 years
Office and administration	5, 7 and 40 years
Land	Not amortized
Landfills	Projected closures - 2095 and 2096; 10, 25 and 40 years
Parks	5, 10, 15 and 25 years
Salmon beach	10, 25 and 50 years
Water systems	25 years
Beaver Creek water system	5, 15, 20, 50 and 60 years

The District's threshold to capitalize TCAs varies between \$2,500 and \$5,000 with the exception of land which is always capitalized. Capital projects under construction are not amortized until the asset is put into use. Assets contributed to the Regional district are recorded at fair value at the time of contribution.

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.

3. PORTFOLIO INVESTMENTS

	2013	2012
Alberni District Co-op Association equity shares	\$ 746	\$ 746

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

4. ACCOUNTS RECEIVABLE

	2013	2012
Trade and other receivables	\$ 482,946	\$ 447,792
Goods and services tax recoverable	67,198	140,572
Government of Canada	624,692	382,278
Province of British Columbia	8,345	67,695
Local governments	24,467	40,355
Subtotal	1,207,648	1,078,692
Less allowances for doubtful accounts	(1,000)	(1,000)
Accounts receivable - net	\$ 1,206,648	\$ 1,077,692

5. 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.

	2013	2012
City of Port Alberni	\$ 3,123,974	\$ 3,376,316
District of Tofino	1,012,933	1,050,911
District of Ucluelet	1,905,841	1,979,411
Multiplex Arena	1,683,700	1,883,924
	\$ 7,726,448	\$ 8,290,562

6. 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.

7. DEPOSITS

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.

	2013	2012
Performance deposits	\$ 45,000	\$ 44,000

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

8. RESTRICTED REVENUES

	2013	2012 (restated note 15)
Development cost charges (Note a)	\$ 3,699	\$ 3,649
Deferred project contribution - Beaver Creek North Reservoir (Note b)	-	64,315
Gas tax unspent funds (Note 9)	1,684,516	2,027,487
	\$ 1,688,215	\$ 2,095,451

- a) The regional district receives contributions from developers for the development of the water and sewer infrastructure. These restricted contributions are recognized as revenue in the years in which the capital projects are undertaken. Developer contributions paid in advance of infrastructure works are recorded as restricted revenue. Developer contributions received during the year were \$NIL (2012 - \$3,622). Interest earned on developer contributions is restricted and deferred; interest earned during the year was \$50 (2012 - \$27). Developer contributions expended on capital projects during the year was \$Nil (2012 - \$Nil).
- b) As a result of the conversion of the Beaver Creek Improvement District to a service area of the Regional District (Note 16) on May 31, 2012, the Regional District assumed responsibility for the North Reservoir Project. A \$150,000 project contribution was received in 2010 from the Kackaamin Family Development Centre (formerly known as Kakawis) to be used to partially offset the costs of upgrading the North Reservoir booster pump station, replacing existing 4 inch main to 6 inch main and using any remaining funds to replace existing 6 inch main with new 8 inch main for the North Beaver Creek Road Area. As the contributions are externally restricted in their use, they are recognized as revenue contributions when the eligible related expenditures are incurred. The second phase of this project was completed in 2013 and the remainder of the Kackaamin Family Development Centre contribution was spent. Therefore, the unspent portion of funds as at December 31, 2013 is \$NIL (December 31, 2012 - \$64,315).

9. GAS TAX AGREEMENT PROGRAM

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, 2019.

	2013	2012 (restated note 15)
Opening balance of unspent funds	\$ 2,027,487	\$ 2,138,445
Add amount received during the year	451,882	452,069
Add interest earned	25,812	29,180
Less eligible expenditures made during the year	(820,665)	(592,208)
Closing balance of unspent funds	\$ 1,684,516	\$ 2,027,486

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

10. SHORT TERM BORROWING

The following amounts have been borrowed from MFA on a short term basis. The short term debt was paid off in August 2013.

	2013	2012
Salmon Beach Land	\$ -	\$ 13,500

11. 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 the Alberni Valley Landfill was updated in 2013 and a capacity study for the West Coast Landfill was completed in 2013. Both reports have been reviewed by the Province of British Columbia Ministry of Environment.

12. OBLIGATIONS UNDER CAPITAL LEASES

The Regional District has financed assets under capital leases in the amount of \$243,320 (2012 - \$243,320), consisting of the Bamfield Volunteer Fire Department Hall and the Long Beach Airport Kubota loader. Principal payments on these capital leases in 2013 totaled \$43,744 (2012 - \$48,535). The outstanding obligation balance for leased capital assets as at December 31, 2013 was \$134,740 (2011- \$178,483).

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 2013, interest expenditures related to lease liabilities were \$3,169 (2012- \$3,144).

The remaining lease payment commitments are:

2014	\$ 46,913
2015	46,913
2016	34,751
2017	<u>10,339</u>
Total minimum lease payments	138,916
Less: amount representing interest	<u>4,176</u>
Net obligation under capital lease	<u>\$ 134,740</u>

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

13. DEBENTURE DEBT

Currently, all borrowings for the District are with the Municipal Finance Authority of BC (MFA). Debt interest costs are charged against revenue as incurred. The debenture debt "Schedule 1" reflects the amount of debenture debt payable.

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

2014	\$	435,399
2015		435,399
2016		354,021
2017		310,107
2018		310,107
Thereafter		<u>6,756,832</u>
	\$	<u>8,601,865</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.

14. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Airport	\$ 6,824,351	\$ 927,246	\$ 5,897,105	\$ 5,735,160
Fire departments	4,458,506	2,029,166	2,429,340	1,996,064
Office and administration	1,798,242	1,203,473	594,769	583,876
Land	4,644,276	-	4,644,276	4,510,276
Landfills	9,489,567	1,535,833	7,953,734	7,810,052
Parks	356,078	114,518	241,560	128,325
Salmon beach	626,097	197,139	428,958	445,027
Water systems	2,361,608	1,313,417	1,048,191	1,076,181
Beaver Creek water system	5,502,317	2,694,495	2,807,822	1,752,461
Assets under construction	452,067	-	452,067	837,517
	\$ 36,513,109	\$ 10,015,287	\$ 26,497,822	\$ 24,874,939

Land includes a right-of way value of \$16,300 which relates to the land where the Bamfield Fire Department building is situated. For additional information about tangible capital assets see Schedule 2.

For information on assets under capital lease included above see (Note 12).

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

15. PRIOR PERIOD RESTATEMENT

The prior period has been restated as follows:

- a) During the current year it was noted that vacation pay and banked pay earned had not been accrued when earned but were being expensed when paid. In accordance with accrual accounting the prior period has been retrospectively restated to record the correction of accounting for earned vacation pay and bank pay on an accrual basis.
- b) During the current year it was noted unspent Gas Tax Agreement funding was being reported as a component of accumulated surplus. Unspent funds are restricted in their use and the prior period has been retrospectively restated to report the unspent funds and any interest earned there on as a liability.

The effects of the above restatements are as follows:

	As reported	Note a	Note b	As restated
Cash and cash equivalents	\$ 13,542,875	\$ -	\$ (101,637)	\$ 13,441,238
Accumulated surplus December 31, 2012	33,259,835	-	(101,637)	33,158,198
Services provided to other governments	96,978	(13,620)	-	83,358
Miscellaneous revenue	551,785	(114,077)	(93,523)	344,185
Government transfers - conditional	5,910,440	(592,209)	-	5,318,231
General government services	(1,175,746)	(34,799)	-	(1,210,545)
Electoral area administration	(667,717)	592,209	-	(75,508)
Fire protection services	(467,097)	3,620	(8,114)	(471,591)
Grant-in-aid	(284,403)	38,000	-	(246,403)
Multi-purpose arena contribution	(328,370)	76,077	-	(252,293)
AV Health Network	(44,799)	44,799	-	-
Annual surplus	5,872,160	-	(101,637)	5,770,523

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

16. ACQUISITION OF EQUITY FROM BEAVER CREEK IMPROVEMENT DISTRICT

In the prior year, on May 31, 2012 as per Order in Council #327 issued by the Province of British Columbia, the Beaver Creek Improvement District was dissolved and the assets and liabilities of the improvement district were transferred to the Alberni-Clayoquot Regional District at book value as follows:

	2012
Cash	\$ 301,893
Accounts receivable	271,426
Portfolio investments	746
Accounts payable and accrued liabilities	(65,428)
Deferred revenue	(186,265)
Restricted revenue	(64,315)
NET FINANCIAL ASSETS	258,057
Tangible capital asset	4,746,036
Less accumulated amortization	(2,605,218)
Inventory of supplies	46,192
Prepays	1,533
TOTAL ACQUISITION OF EQUITY	\$ 2,446,600

17. CHANGE IN NON CASH WORKING CAPITAL AND CASH FLOW SUPPLEMENTARY INFORMATION

	2013	2012 (restated note 15)
Accounts receivable	\$ (128,956)	\$ (449,065)
Inventories for resale	(425)	14,322
Inventories of supplies	(214,328)	(65,924)
Accounts payable and accrued liabilities	(592,644)	803,921
Deferred revenue	9,878	50,913
Prepaid expenses	(13,563)	(30,879)
MFA Debt reserve deposit	(8,672)	(5,217)
Deposits	1,000	(117,705)
MFA debt reserve	8,672	5,217
Restricted revenues	(407,236)	(42,994)
Landfill closure liability	210,361	191,935
	\$ (1,135,913)	\$ 354,524

18. 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 Consolidated Financial Statements

Year Ended December 31, 2013

19. 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	Mount Waddington - 1 share
Comox Valley - 6 shares	Nanaimo - 5 shares
Strathcona - 4 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.

20. RELATED PARTIES

The Alberni-Clayoquot Regional District is related to the Alberni-Clayoquot Regional Hospital District as 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, \$18,000 of administrative support services from the Alberni-Clayoquot Regional District.

21. CONTINGENT LIABILITIES AND COMMITMENTS

a) CLAIMS

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.

b) 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, 2013.

c) 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 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 22 contributors from the Regional District of Alberni-Clayoquot.

(continues)

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

21. CONTINGENT LIABILITIES AND COMMITMENTS *(continued)*

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 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 District paid \$93,697 for employer contributions to the plan in fiscal 2013 (2012 - \$83,023). Employees contributed \$101,608 to the plan in fiscal 2013 (2012 - \$89,745).

d) SICK LEAVE ENTITLEMENTS

Based on obligations as determined by collective agreements and contractual arrangements for sick leave, employees' sick leave entitlements accumulate. However as sick leave benefits are only payable for sick leave and are not payable upon leaving the regional district the amounts are recognized as an expense only when a claim is made. As at December 31, 2013 accumulated sick leave amounted to \$295,674 (2012 - \$245,825).

e) CONTRACTUAL OBLIGATIONS FOR LEASED PREMISES

As a result of the conversion of the Beaver Creek Improvement District to an electoral area of the Regional District (*Note 16*), the Regional District assumed the long term lease previously entered into by the Beaver Creek Improvement District effective November 1, 1961 with respect to the land on which the Improvement District's Stamp River pumphouse facilities are located. The agreement has a 99 year term and provides for annual rent of \$1 per annum. In addition, as Lessee the Regional District will pay all taxes, levies and assessments which may be assessed, charged or levied against the lands and leasehold improvements erected thereon.

f) CONTRACTUAL OBLIGATIONS FOR LEASED EQUIPMENT

As a result of the conversion of the Beaver Creek Improvement District to an electoral area of the Regional District (*Note 16*), the Regional District assumed the Improvement District lease office equipment with annual payments of \$2,628 per annum in each of the next two years. The lease expires December 31, 2015.

g) NORTH RESERVOIR PROJECT CAPITAL COMMITMENT

As a result of the conversion of the Beaver Creek Improvement District to an electoral area of the Regional District (*Note 16*), the Regional District assumed responsibility for the North Reservoir Project. The estimated North Reservoir project costs based on April and June 2009 cost estimates with known cost change orders and estimated cost increases is approximately \$426,000. To December 31, 2013 monies have been expended totaling \$285,093. The Kackaamin Family Development Centre contribution (*Note 8*) remaining to expend on this project is \$NIL (December 31, 2012 - \$64,315). The remainder of the estimated project costs to be funded by the Regional District are \$140,900 as at December 31, 2013.

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

22. BUDGET RECONCILIATION

Budget figures are unaudited and represent the Financial Plan Bylaw adopted by the Board on March 27, 2013. 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.

Adjustments to the 2013 budgeted annual surplus

Consolidated financial plan balanced cash budget as approved March 27, 2013	\$ 171,096
Add transfers to reserves	4,690,254
Less surplus from prior years	(1,776,271)
Less committed surplus from prior years	(465,596)
Less amortization	(672,500)
<hr/>	
Consolidated accrual budgeted annual surplus	\$ 1,946,983
<hr/>	

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Consolidated Schedule of Debenture Debt

(Schedule 1)

Year Ended December 31, 2013

Purpose	By-law	MFA Issue	Type of Security Issued	Maturity date	Term	Rate	Amount Borrowed	Total instalments to date	Actuarial addition	2013 Balance	2012 Balance	2014 Requirements as of December 31, 2013		
												Principal	Interest	
Port Alberni F1062	1062	97	Sinking fund	19 Apr 2016	25	4.660%	\$ 3,375,064	\$ 618,591	\$ 21,502	\$ 2,734,971	\$ 2,837,515	\$ 81,042	\$ 157,278	
Port Alberni F1062	1062	97	Sinking fund	19 Apr 2016	10	4.660%	438,170	278,570	9,683	149,917	196,096	36,496	20,419	
Port Alberni 1004	1004	64	Sinking fund	25 Sep 2016	10	4.430%	245,300	182,922	8,775	53,603	69,797	7,419	10,867	
Port Alberni 1060	1060	92	Sinking fund	04 Jun 2015	10	5.100%	797,642	591,170	20,989	185,483	272,908	66,436	36,293	
Ucluelet F1074	F1095	117	Sinking fund	14 Jun 2036	25	3.250%	1,948,000	93,551	1,871	1,852,578	1,901,225	46,775	63,310	
Ucluelet 829	F1037	73	Sinking fund	01 Dec 2015	15	3.150%	300,000	236,756	9,982	53,262	78,187	14,942	19,050	
Tofino F1062	1062	97	Sinking fund	19 Apr 2016	25	4.650%	1,250,000	229,103	7,964	1,012,933	1,050,911	30,014	58,250	
Arena F1027	F1037	73	Sinking fund	01 Dec 2020	20	3.150%	3,579,209	1,852,906	78,042	1,648,261	1,844,951	118,648	112,745	
Arena F1027	F1041	75	Sinking fund	01 Dec 2020	20	3.050%	68,332	31,425	1,468	35,439	38,973	2,067	2,084	
Salmon Beach F1079	F1096	117	Sinking fund	12 Oct 2031	20	3.250%	939,800	63,120	1,263	875,417	908,240	31,560	30,544	
											\$ 8,601,864	\$ 9,198,803	\$ 435,399	\$ 510,840

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT
 Consolidated Schedule of Tangible Capital Assets

(Schedule 2)

Year Ended December 31, 2013

	Cost			Closing Balance	Accumulated Amortization				2013 Net Book Value	2012 Net Book Value
	Opening Balance	Acquisitions	Disposals		Opening Balance	Amortization	Disposals	2013		
Airport	\$ 6,462,836	\$ 361,515	\$ -	\$ 6,824,351	\$ (727,675)	\$ (199,571)	\$ -	\$ (927,246)	\$ 5,897,105	\$ 5,735,161
Fire department	3,901,033	557,473	-	4,458,506	(1,904,969)	(124,197)	-	(2,029,166)	2,429,340	1,996,064
Office and administration	1,734,252	63,989	-	1,798,241	(1,150,376)	(53,097)	-	(1,203,473)	594,768	583,876
Land	4,510,276	134,000	-	4,644,276	-	-	-	-	4,644,276	4,510,276
Landfills	9,228,211	261,356	-	9,489,567	(1,418,158)	(117,675)	-	(1,535,833)	7,953,734	7,810,053
Parks	226,928	133,650	(4,500)	356,078	(98,603)	(17,115)	1,200	(114,518)	241,560	128,325
Salmon Beach	617,280	8,817	-	626,097	(172,253)	(24,886)	-	(197,139)	428,958	445,027
Water systems	2,304,685	56,922	-	2,361,607	(1,228,505)	(84,912)	-	(1,313,417)	1,048,190	1,076,180
Beaver Creek water system	4,342,238	1,160,079	-	5,502,317	(2,589,777)	(104,718)	-	(2,694,495)	2,807,822	1,752,461
Under construction	837,517	(385,450)	-	452,067	-	-	-	-	452,067	837,517
	\$ 34,165,256	\$ 2,352,351	\$ (4,500)	\$ 36,513,107	\$ (9,290,316)	\$ (726,171)	1,200	\$ (10,015,287)	\$ 26,497,820	\$ 24,874,940