

**REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT**  
**Consolidated Financial Statements**  
**Year Ended December 31, 2016**

# REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

## Index to Consolidated Financial Statements

Year Ended December 31, 2016

---

	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 - 21
Consolidated Schedule of Debenture Debt ( <i>Schedule 1</i> )	22
Consolidated Schedule of Tangible Capital Assets ( <i>Schedule 2</i> )	23

## 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.

R. Anderson and Associates, 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, CPA, 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 as at December 31, 2016 and the consolidated statements of operations, changes in net financial assets, changes in accumulated surplus and cash flows 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 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.

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 audit opinion.

*(continues)*

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

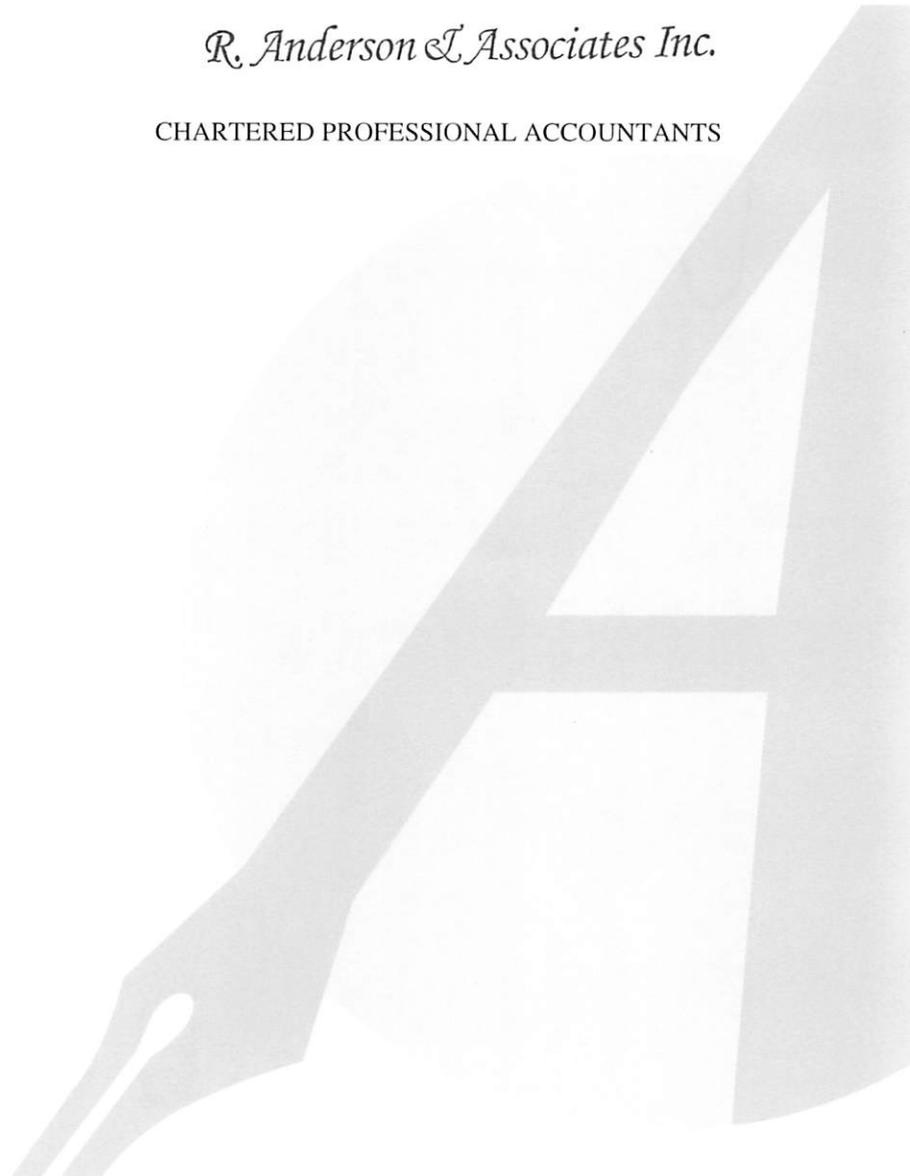
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Regional District of Alberni-Clayoquot as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*R. Anderson & Associates Inc.*

Port Alberni, BC  
May 10, 2017

CHARTERED PROFESSIONAL ACCOUNTANTS



**REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT****Consolidated Statement of Financial Position**

Year Ended December 31, 2016

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 14,385,248	\$ 13,029,383
Portfolio investments (Note 2)	1,906	1,653
Accounts receivable (Note 3)	962,532	845,793
Term receivables from municipalities (Note 4)	14,395,429	15,085,072
Municipal Finance Authority debt reserve deposit (Note 5)	690,865	730,555
Inventories for resale	36,009	47,704
	<b>30,471,989</b>	<b>29,740,160</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	1,518,599	969,940
Deferred revenue	193,981	102,953
Deposits (Note 6)	68,050	43,050
Restricted revenues (Notes 7, 8)	2,492,736	2,097,897
Short term borrowing	3,000,742	-
Landfill closure liability (Note 9)	2,399,371	2,187,854
Municipal Finance Authority debt reserve (Note 5)	690,865	730,555
Capital leases (Note 10)	11,679	44,455
Debenture debt (Note 12), Schedule 1	15,164,289	15,890,853
	<b>25,540,312</b>	<b>22,067,557</b>
<b>NET FINANCIAL ASSETS</b>	<b>4,931,677</b>	<b>7,672,603</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 13), Schedule 2	34,942,853	28,972,396
Inventories of supplies	171,916	246,758
Prepaid expenses	68,589	60,466
	<b>35,183,358</b>	<b>29,279,620</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 40,115,035</b>	<b>\$ 36,952,223</b>

Contingent liabilities (Note 19)



---

Teri Fong, CPA, CGA  
Manager of Finance

# REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

## Consolidated Statement of Operations

Year Ended December 31, 2016

	2016 Budget	2016 Actual	2015 Actual
<b>REVENUE</b>			
Tax requisitions	\$ 5,592,567	\$ 5,597,243	\$ 5,026,817
Grants in lieu of taxes	30,500	96,386	97,896
Services provided to other governments	74,000	133,729	86,740
Sales of services	3,404,600	3,677,581	3,549,108
Miscellaneous revenue	585,199	722,890	1,108,115
Government transfers			
Conditional	4,087,552	2,279,781	379,395
Unconditional	125,000	187,763	197,072
	13,899,418	12,695,373	10,445,143
<b>EXPENSES</b>			
General government services	1,346,000	1,244,340	1,127,024
Electoral area administration	77,000	64,586	62,929
Management of development - rural	367,000	301,916	287,632
Regional planning services	179,500	158,418	153,289
Building inspection services	239,000	215,876	202,665
Park services	174,500	140,094	124,930
Fire protection services	638,559	586,994	582,922
Landfill services	2,803,500	2,382,240	2,499,394
AV water study	44,000	32,798	58,458
Custom transit	555,000	469,881	462,943
Airport services	525,750	424,306	387,017
Amortization of tangible capital assets	901,250	949,784	965,383
Street lighting	2,340	2,290	2,224
Emergency planning	316,715	200,968	186,031
E911 telephone services	299,151	298,399	293,979
Vancouver Island library services	450,090	450,088	424,608
South Long Beach bike path	1,902	1,802	12,398
Grant-in-aid	423,842	341,093	283,138
Noise control	11,300	4,434	4,926
Animal control	11,072	2,433	3,011
Multi-purpose arena contribution	221,675	228,060	199,262
Water systems	1,029,802	772,307	872,358
Salmon Beach	398,403	259,456	198,861
	11,017,351	9,532,563	9,395,382
<b>ANNUAL SURPLUS</b>	\$ 2,882,067	\$ 3,162,810	\$ 1,049,761

The accompanying notes are an integral part of these financial statements

**REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT****Consolidated Statement of Changes in Accumulated Surplus**

Year Ended December 31, 2016

	2016 Budget	2016 Actual	2015 Actual
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>			
As previously reported	\$ 36,952,223	\$ 36,952,223	\$ 35,903,945
Prior period restatement ( <i>Note 14</i> )	-	-	(1,483)
As restated	36,952,223	36,952,223	35,902,462
<b>ANNUAL SURPLUS</b>	<b>2,882,067</b>	<b>3,162,810</b>	<b>1,049,761</b>
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<b>\$ 39,834,290</b>	<b>\$ 40,115,031</b>	<b>\$ 36,952,223</b>

The accompanying notes are an integral part of these financial statements

**REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT****Consolidated Statement of Changes in Net Financial Assets**

Year Ended December 31, 2016

	2016 Budget	2016 Actual	2015 Actual
<b>ANNUAL SURPLUS</b>	\$ 2,882,067	\$ 3,162,810	\$ 1,049,761
Acquisition of prepaids	-	(8,122)	(11,017)
Acquisition of inventory of supplies	-	74,839	8,166
Acquisition of tangible capital assets	-	(6,920,240)	(2,339,088)
Amortization	901,250	949,784	965,383
	901,250	(5,903,739)	(1,376,556)
<b>CHANGE IN NET FINANCIAL ASSETS</b>	3,783,317	(2,740,929)	(326,795)
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	7,672,603	7,672,603	7,999,410
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	\$ 11,455,920	\$ 4,931,674	\$ 7,672,615

The accompanying notes are an integral part of these financial statements

**REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT****Consolidated Statement of Cash Flow**

Year Ended December 31, 2016

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 3,162,810	\$ 1,049,761
Item not affecting cash:		
Amortization of tangible capital assets	949,784	965,383
	4,112,594	2,015,144
Changes in non-cash working capital ( <i>Note 15</i> )	1,232,718	550,875
	5,345,312	2,566,019
<b>FINANCING ACTIVITIES</b>		
Term receivables from municipalities	689,643	(2,196,609)
Proceeds from short-term debt financing	3,000,742	-
Proceeds from debenture debt financing	-	2,912,000
Repayment (advances) of long term debenture debt	(527,536)	(537,922)
Repayment of obligations under capital lease	(32,775)	(45,658)
Actuarial adjustment of long term debt	(199,028)	(212,970)
	2,931,046	(81,159)
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets	(6,920,240)	(2,339,088)
<b>INVESTING ACTIVITIES</b>		
Addition to portfolio investments	(253)	-
<b>INCREASE IN CASH FLOW</b>	<b>1,355,865</b>	<b>145,772</b>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	13,029,383	12,883,611
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 14,385,248</b>	<b>\$ 13,029,383</b>
<b>CASH AND CASH EQUIVALENTS CONSISTS OF:</b>		
Bank balances	\$ 14,385,248	\$ 13,029,383

The accompanying notes are an integral part of these financial statements

# REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

## Notes to Consolidated Financial Statements

Year Ended December 31, 2016

---

### 1. 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 2016 budget as adopted by the District's Board on March 23, 2016.

#### 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, 2016

---

### 1. 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, Treaty First Nation 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, Treaty First Nations and the Province (for Electoral Areas) to individual taxpayers. Instead of levying individual taxpayers, the Treaty First Nations also have the option of paying for the requisition from their consolidated revenue fund. The requisitioned amounts are 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 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.

*(continues)*

---

# REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

## Notes to Consolidated Financial Statements

Year Ended December 31, 2016

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 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.

#### 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.

---

### 2. PORTFOLIO INVESTMENTS

---

	2016	2015
Alberni District Co-op Association equity shares	\$ 1,906	\$ 1,653

---

# REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

## Notes to Consolidated Financial Statements

Year Ended December 31, 2016

### 3. ACCOUNTS RECEIVABLE

	2016	2015
Trade and other receivables	\$ 608,159	\$ 786,202
Goods and services tax recoverable	30,898	66,038
Government of Canada	45,089	-
Province of British Columbia	274,196	1,762
Local governments	37,150	-
Subtotal	995,492	854,002
Less allowances for doubtful accounts	(32,958)	(8,210)
Accounts receivable - net	\$ 962,534	\$ 845,793

### 4. 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.

	2016	2015
City of Port Alberni	\$ 10,783,927	\$ 11,147,582
District of Tofino	889,637	932,358
District of Ucluelet	1,694,651	1,749,371
Multiplex Arena	1,027,214	1,255,761
	\$ 14,395,429	\$ 15,085,072

### 5. 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 Consolidated Financial Statements

Year Ended December 31, 2016

### 6. 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.

	2016	2015
Performance deposits	\$ 68,050	\$ 43,050

### 7. RESTRICTED REVENUES

	2016	2015
Development cost charges (Note a)	\$ 61,730	\$ 3,785
Parkland deferred contributions (Note b)	328,584	325,511
Gas tax unspent funds (Note 8)	2,102,421	1,768,601
	\$ 2,492,735	\$ 2,097,897

- 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 \$57,600 (2015 - \$NIL). Interest earned on developer contributions is restricted and deferred; interest earned during the year was \$346 (2015 - \$40). Developer contributions expended on capital projects during the year was \$Nil (2015 - \$Nil).
- b) The regional district receives contributions from developers for the future acquisition of parkland. These restricted contributions are recognized as revenue in the years in which the parkland is subsequently acquired. Developer contributions received during the year were \$Nil (2015 - NIL). Interest earned on parkland contributions is restricted and deferred; interest earned during the year was \$3,073 (2015 - \$3,348). Parkland acquired during the year was \$Nil (2015 - \$Nil).

# REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

## Notes to Consolidated Financial Statements

Year Ended December 31, 2016

---

### 8. COMMUNITY WORKS FUNDS

The Federal Gas Tax Fund is provided by the Government of Canada. The Community Works Fund provides funding to local governments for eligible expenditures of eligible projects in accordance with an agreement between the Regional District and the Union of British Columbia Municipalities. In 2014 the Regional District entered into the Renewed Gas Tax Agreement that expanded the eligible categories to include projects for the following types of infrastructure: water, solid waste, airports, disaster mitigation, recreation infrastructure as well as capacity building.

	2016	2015
Opening balance of unspent funds	\$ 1,768,601	\$ 1,466,831
Add amount received during the year	466,542	451,343
Add interest earned	17,278	14,764
Less eligible expenditures made during the year	(150,000)	(164,337)
Closing balance of unspent funds	\$ 2,102,421	\$ 1,768,601

---

### 9. 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.

---

# REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

## Notes to Consolidated Financial Statements

Year Ended December 31, 2016

### 10. OBLIGATIONS UNDER CAPITAL LEASES

The Regional District has financed assets under capital leases in the amount of \$84,270 (2015 - \$243,320), consisting of the Long Beach Airport Kubota loader. The Bamfield Volunteer Fire Department Hall was paid in full on July 28, 2016. The Principal payments on these capital leases in 2016 totaled \$32,775 (2015 - \$45,659). The outstanding obligation balance for leased capital assets as at December 31, 2016 was \$11,679 (2015- \$44,455).

The capital lease for the Long Beach Airport Kubota loader was transferred from the MFA Leasing Corporation to the MFA Equipment Financing Program on July 22, 2016. The current applicable interest rate in the Equipment Financing Program is 1.39%. In 2016, interest expenditures related to lease liabilities were \$923 (2015- \$1,254).

The remaining equipment financing payment commitments are:

2017	\$	11,740
Total minimum lease payments		11,740
Less: amount representing interest		<u>61</u>
Net obligation under capital lease	\$	<u>11,679</u>

### 11. SHORT TERM DEBT

Short-term debt consists of borrowing from the Municipal Finance Authority (MFA) for interim funding for the Alberni Valley Regional Airport (AVRA) expansion project during construction. The debt bears interest at a variable rate that is paid monthly. The rate at December 31, 2016 was 1.44%. Regular principal payments are not required and a Loan Authorization bylaw is in place to convert the short-term debt into debenture debt upon completion of the project.

	2016	2015
AVRA Expansion Project	\$ 3,000,742	\$ -

### 12. 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:

2017	\$	682,916
2018		711,081
2019		740,415
2020		770,966
2021		523,073
Thereafter		<u>11,735,838</u>

(continues)

**REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT****Notes to Consolidated Financial Statements****Year Ended December 31, 2016****12. DEBENTURE DEBT (continued)**\$ 15,164,289

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.

**13. TANGIBLE CAPITAL ASSETS**

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Airport	\$ 7,665,473	\$ 1,681,885	\$ 5,983,588	\$ 5,905,178
Fire departments	5,038,610	2,444,665	2,593,945	2,456,063
Office and administration	2,110,503	1,352,965	757,538	710,994
Land	5,143,634	-	5,143,634	5,143,634
Landfills	10,424,371	1,941,357	8,483,014	8,065,075
Parks	406,347	173,131	233,216	247,869
Salmon beach	726,843	301,114	425,729	455,888
Water systems	2,705,270	1,651,756	1,053,514	1,126,217
Beaver Creek water system	7,239,053	3,087,793	4,151,260	3,779,840
Assets under construction	6,117,415	-	6,117,415	1,081,638
	<b>\$ 47,577,519</b>	<b>\$ 12,634,666</b>	<b>\$ 34,942,853</b>	<b>\$ 28,972,396</b>

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 10).

**14. PRIOR PERIOD RESTATEMENT**

The prior period has been restated as follows:

- a) During the current year it was noted that entries were made in the system after the financial statements had been prepared.

The effect of the above restatement is as follows:

	As reported	Note a	As restated
Cash and cash equivalents	\$ 13,029,291	\$ 92	\$ 13,029,475
Accounts receivable	844,402	1,391	847,184
Sales of services	3,547,625	1,483	3,550,591
Annual surplus	1,048,278	1,483	1,051,244

# REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

## Notes to Consolidated Financial Statements

Year Ended December 31, 2016

---

### 15. CHANGE IN NON CASH WORKING CAPITAL AND CASH FLOW SUPPLEMENTARY INFORMATION

	2016	2015
Accounts receivable	\$ (116,739)	\$ (168,095)
Inventories for resale	11,695	(989)
Inventories of supplies	74,842	8,166
Accounts payable and accrued liabilities	548,659	220,564
Deferred revenue	91,028	(13,050)
Prepaid expenses	(8,123)	(11,017)
MFA Debt reserve deposit	39,690	(231)
Deposits	25,000	(1,000)
MFA debt reserve	(39,690)	231
Restricted revenues	394,839	305,158
Landfill closure liability	211,517	211,138
	<b>\$ 1,232,718</b>	<b>\$ 550,875</b>

---

### 16. 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.

---

### 17. 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.

---

## REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

### Notes to Consolidated Financial Statements

Year Ended December 31, 2016

---

#### 18. 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.

---

#### 19. 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, 2015.

##### c) PENSION LIABILITY

The Regional District and its employees contribute to the Municipal Pension Plan (a jointly trusteed pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2016, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include 37,000 contributors from local governments.

*(continues)*

---

## REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

### Notes to Consolidated Financial Statements

Year Ended December 31, 2016

---

#### 19. CONTINGENT LIABILITIES AND COMMITMENTS *(continued)*

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit. The most recent valuation for the Municipal Pension Plan as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2018 with results available in 2019.

Employers participating in the Plan record their pension 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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan. The Alberni-Clayoquot Regional District paid \$141,799 for employer contributions to the plan in fiscal 2016 (2015 - \$124,697). Employees contributed \$129,469 to the plan in fiscal 2016 (2015 - \$125,364).

*(continues)*

---

# REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

## Notes to Consolidated Financial Statements

Year Ended December 31, 2016

---

### 19. CONTINGENT LIABILITIES AND COMMITMENTS *(continued)*

#### 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, 2016 accumulated sick leave amounted to \$367,790 (2015 - \$340,953).

#### 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, 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.

---

### 20. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

---

### 21. BUDGET RECONCILIATION

Budget figures are unaudited and represent the Financial Plan Bylaw adopted by the Board on March 23, 2016 and as amended December 9, 2016. 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 2016 budgeted annual surplus

Consolidated financial plan balanced cash budget as approved March 23, 2016 updated for amendments approved December 9, 2016	\$	26,656
Add transfers to reserves		5,750,121
Add principal debt payments		189,600
Less surplus from prior years		(1,935,072)
Less committed surplus from prior years		(247,988)
Less amortization		(901,250)

---

Consolidated accrual budgeted annual surplus	\$	2,882,067
--	----	-----------

---

**REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT**

**Notes to Consolidated Financial Statements**

**Year Ended December 31, 2016**

---

**22. CONTAMINATED SITES**

During 2016, the ACRD evaluated all sites for which an environmental standard exists and for which it is directly responsible, and has concluded that no contamination exists that exceeds an environmental standard. Accordingly, no amount has been accrued in the financial statements as a liability for contaminated sites.

---

**REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT**

**Consolidated Schedule of Debenture Debt**

*(Schedule 1)*

**Year Ended December 31, 2016**

Purpose	By-law	MFA Issue	Type of Security Issued	Maturity date	Term	Rate	Amount Borrowed	Total instalments to date	Actuarial addition	2016 Balance	2015 Balance	2017 Requirements as of December 31, 2016	
												Principal	Interest
Arena F1027	F1037	73	Sinking fund	01 Dec 2020	20	2.100%	\$3,579,209	\$ 2,208,850	\$ 366,883	\$ 1,003,476	\$1,227,931	\$ 118,648	\$ 75,163
Arena F1027	F1041	75	Sinking fund	01 Dec 2021	20	1.750%	68,332	37,626	6,967	23,739	27,831	2,067	1,196
Port Alberni 1004	1004	64	Sinking fund	25 Sep 2016	10	4.430%	245,300	205,177	40,123	-	18,746	-	-
Port Alberni F1062	1062	97	Sinking fund	19 Apr 2031	25	1.750%	3,375,064	861,717	111,281	2,402,066	2,517,414	81,042	59,064
Port Alberni F1062	1062	97	Sinking fund	19 Apr 2016	10	4.660%	438,170	388,057	50,113	-	51,945	-	-
Port Alberni F1111	1111	130	Sinking fund	14 Oct 2044	30	3.000%	5,750,000	205,046	4,101	5,540,853	5,647,477	102,523	172,500
Port Alberni F1114	F1114	131	Sinking fund	08 Apr 2035	20	2.200%	912,000	32,249	-	879,751	912,000	32,249	20,064
Port Alberni F1114	F1114	131	Sinking fund	08 Apr 2045	30	2.200%	2,000,000	38,743	-	1,961,257	2,000,000	38,743	44,000
Salmon Beach F1079	F1096	117	Sinking fund	12 Oct 2031	20	3.250%	939,800	157,801	13,139	768,860	805,781	31,560	30,544
Tofino F1062	1062	97	Sinking fund	19 Apr 2031	25	1.750%	1,250,000	319,148	41,215	889,637	932,358	30,015	21,875
Ucluelet F1074	F1095	117	Sinking fund	12 Oct 2036	25	3.250%	1,948,000	233,876	19,474	1,694,650	1,749,370	46,775	63,310
										<b>\$15,164,289</b>	<b>\$5,890,853</b>	<b>\$ 483,622</b>	<b>\$ 487,716</b>

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

*(Schedule 2)*

**Year Ended December 31, 2016**

	<b>Cost</b>				<b>Accumulated Amortization</b>				<b>2016 Net Book Value</b>	<b>2015 Net Book Value</b>	
	<b>Opening Balance</b>	<b>Acquisitions</b>	<b>Transfers</b>	<b>Disposals</b>	<b>Closing Balance</b>	<b>Opening Balance</b>	<b>Amortization</b>	<b>Disposals</b>			<b>2016</b>
Airport	\$ 7,339,340	\$ 5,395,845	\$ (5,069,712)	\$ -	\$ 7,665,473	\$ (1,434,161)	\$ (247,723)	\$ -	\$ (1,681,884)	<b>\$ 5,983,589</b>	\$ 5,905,179
Fire department	4,742,967	237,074	58,569	-	5,038,610	(2,286,904)	(157,760)	-	(2,444,664)	<b>2,593,946</b>	2,456,063
Office and administration	1,998,768	118,735	(7,000)	-	2,110,503	(1,287,774)	(65,191)	-	(1,352,965)	<b>757,538</b>	710,994
Land	5,143,634	-	-	-	5,143,634	-	-	-	-	<b>5,143,634</b>	5,143,634
Landfills	9,853,527	550,066	20,779	-	10,424,372	(1,788,451)	(152,905)	-	(1,941,356)	<b>8,483,015</b>	8,065,076
Parks	399,679	8,547	(4,071)	(2,192)	406,347	(151,810)	(23,514)	2,192	(175,324)	<b>231,023</b>	247,869
Salmon Beach	718,723	18,079	(9,959)	-	726,843	(262,835)	(38,279)	-	(301,114)	<b>425,729</b>	455,888
Water systems	2,665,663	81,253	(41,648)	-	2,705,268	(1,539,447)	(112,310)	-	(1,651,757)	<b>1,053,511</b>	1,126,216
Beaver Creek water system	6,715,532	506,257	17,265	-	7,239,054	(2,935,692)	(152,101)	-	(3,087,793)	<b>4,151,261</b>	3,779,840
Under construction	1,081,638	-	5,035,777	-	6,117,415	-	-	-	-	<b>6,117,415</b>	1,081,638
	<b>\$40,659,471</b>	<b>\$ 6,915,856</b>	<b>\$ -</b>	<b>\$ (2,192)</b>	<b>\$47,577,519</b>	<b>\$ (11,687,074)</b>	<b>\$ (949,783)</b>	<b>2,192</b>	<b>\$ (12,636,857)</b>	<b>\$34,940,661</b>	<b>\$28,972,397</b>