

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT
Consolidated Financial Statements
Year Ended December 31, 2015

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

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Year Ended December 31, 2015

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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

I 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

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 \$2,187,854. 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 my 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, 2015 and the results of its operations and its cash flow for the year then ended in accordance with Canadian Public Sector Accounting Standards.

R. Anderson & Associates Inc.

Port Alberni, B.C.
May 11, 2016

R. ANDERSON & ASSOCIATES INC.
CHARTERED PROFESSIONAL ACCOUNTANTS

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Consolidated Statement of Financial Position

Year Ended December 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 13,029,291	\$ 12,883,611
Portfolio investments <i>(Note 3)</i>	1,653	1,653
Accounts receivable <i>(Note 4)</i>	844,402	677,698
Term receivables from municipalities <i>(Note 5)</i>	15,085,072	12,888,463
Municipal Finance Authority debt reserve deposit <i>(Note 6)</i>	730,555	730,324
Inventories for resale	47,704	46,715
	29,738,677	27,228,464
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	969,940	749,364
Deferred revenue	102,953	116,003
Deposits <i>(Note 7)</i>	43,050	44,050
Restricted revenues <i>(Notes 8, 9)</i>	2,097,897	1,792,739
Landfill closure liability <i>(Note 10)</i>	2,187,854	1,976,716
Municipal Finance Authority debt reserve <i>(Note 6)</i>	730,555	730,324
Capital leases <i>(Note 11)</i>	44,455	90,113
Debenture debt <i>(Note 12), Schedule 1</i>	15,890,853	13,729,745
	22,067,557	19,229,054
NET FINANCIAL ASSETS	7,671,120	7,999,410
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 13), Schedule 2</i>	28,972,396	27,598,689
Inventories of supplies	246,758	254,924
Prepaid expenses	60,466	49,449
	29,279,620	27,903,062
ACCUMULATED SURPLUS	\$ 36,950,740	\$ 35,902,472

Contingent liabilities *(Note 19)*



Teri Fong, CPA, CGA
Manager of Finance

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Consolidated Statement of Operations

Year Ended December 31, 2015

	2015 Budget (See Note 23)	2015 Actual	2014 Actual
REVENUE			
Tax requisitions	\$ 5,022,951	\$ 5,026,817	\$ 4,588,397
Grants in lieu of taxes	34,360	97,896	76,543
Services provided to other governments	94,998	86,740	100,176
Sales of services	3,134,143	3,547,625	3,541,723
Miscellaneous revenue	788,500	1,108,115	784,934
Government transfers			
Conditional	2,524,419	379,395	780,610
Unconditional	125,000	197,072	125,740
	11,724,371	10,443,660	9,998,123
EXPENSES			
General government services	1,277,000	1,127,024	1,117,139
Electoral area administration	81,000	62,929	88,913
Management of development - rural	353,000	287,632	279,554
Regional planning services	171,500	153,289	115,376
Building inspection services	240,000	202,665	194,070
Park services	144,600	124,930	126,416
Fire protection services	639,698	582,922	589,796
Landfill services	2,789,500	2,499,394	2,459,078
AV water study	60,000	58,458	26,590
Custom transit	546,000	462,943	454,062
Airport services	472,585	387,017	374,175
Amortization of tangible capital assets	818,000	965,383	803,626
Street lighting	2,300	2,224	2,152
Emergency planning	202,400	186,031	82,696
E911 telephone services	294,094	293,979	281,332
Vancouver Island library services	424,607	424,608	402,716
South Long Beach bike path	7,200	12,398	7,100
Grant-in-aid	381,942	283,138	292,275
Noise control	12,300	4,926	7,646
Animal control	8,536	3,011	2,572
Multi-purpose arena contribution	196,611	199,262	234,755
Water systems	971,441	872,358	827,546
Salmon Beach	388,604	198,861	298,826
	10,482,918	9,395,382	9,068,411
ANNUAL SURPLUS	\$ 1,241,453	\$ 1,048,278	\$ 929,712

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT
 Consolidated Statement of Changes in Accumulated Surplus
 Year Ended December 31, 2015

	2015 Budget (See Note 23)	2015 Actual	2014 Actual
ACCUMULATED SURPLUS - BEGINNING OF YEAR			
As previously reported	\$ 35,902,469	\$ 35,902,469	\$ 35,280,110
Prior period restatement <i>(Note 14)</i>	-	-	(307,353)
As restated	35,902,469	35,902,469	34,972,757
ANNUAL SURPLUS	1,241,453	1,048,278	929,712
ACCUMULATED SURPLUS - END OF YEAR	\$ 37,143,922	\$ 36,950,747	\$ 35,902,469

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Consolidated Statement of Changes in Net Financial Assets

Year Ended December 31, 2015

	2015 Budget (See Note 23)	2015 Actual	2014 Actual
ANNUAL SURPLUS	\$ 1,241,453	\$ 1,048,278	\$ 929,712
Acquisition of prepaids	-	(11,017)	12,844
Acquisition of inventory of supplies	-	8,163	25,328
Acquisition of tangible capital assets	-	(2,339,088)	(1,926,432)
Amortization	818,000	965,383	803,626
	818,000	(1,376,559)	(1,084,634)
CHANGE IN NET FINANCIAL ASSETS	2,059,453	(328,281)	(154,922)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	7,999,410	7,999,410	7,861,250
NET FINANCIAL ASSETS - END OF YEAR	\$ 10,058,863	\$ 7,671,129	\$ 7,706,328

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Consolidated Statement of Cash Flow

Year Ended December 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Annual surplus	\$ 1,048,278	\$ 929,712
Items not affecting cash:		
Amortization of tangible capital assets	965,383	803,626
(Gain) loss on disposal of tangible capital asset	-	(12,500)
	2,013,661	1,720,838
Changes in non-cash working capital <i>(Note 15)</i>	552,266	416,269
	2,565,927	2,137,107
FINANCING ACTIVITIES		
Term receivables from municipalities	(2,196,609)	(5,162,015)
Proceeds from debenture debt financing	2,912,000	5,750,000
Repayment (advances) of long term debenture debt	(537,922)	(435,399)
Repayment of obligations under capital lease	(45,658)	(44,626)
Actuarial adjustment of long term debt	(212,970)	(186,720)
	(81,159)	(78,760)
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(2,339,088)	(1,926,432)
Proceeds on disposal of tangible capital assets	-	12,500
	(2,339,088)	(1,913,932)
INVESTING ACTIVITIES		
Addition to portfolio investments	-	(908)
INCREASE IN CASH FLOW	145,680	143,507
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	12,883,611	12,740,104
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 13,029,291	\$ 12,883,611
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Bank balances	\$ 13,029,291	\$ 12,883,611

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2015

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 2015 budget as adopted by the District's Board on March 25, 2015.

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.

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REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2015

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, 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.

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REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2015

2. 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.

3. PORTFOLIO INVESTMENTS

	2015	2014
Alberni District Co-op Association equity shares	\$ 1,653	\$ 1,653

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2015

4. ACCOUNTS RECEIVABLE

	2015	2014
Trade and other receivables	\$ 784,811	\$ 613,213
Goods and services tax recoverable	66,038	59,381
Province of British Columbia	1,762	11,571
Subtotal	852,611	684,165
Less allowances for doubtful accounts	(8,209)	(6,467)
Accounts receivable - net	\$ 844,402	\$ 677,698

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.

	2015	2014
City of Port Alberni	\$ 11,147,582	\$ 8,611,376
District of Tofino	932,358	973,434
District of Ucluelet	1,749,371	1,829,204
Multiplex Arena	1,255,761	1,474,448
	\$ 15,085,072	\$ 12,888,462

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.

	2015	2014
Performance deposits	\$ 43,050	\$ 44,050

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2015

8. RESTRICTED REVENUES

	2015	2014
Development cost charges (Note a)	\$ 3,785	\$ 3,745
Parkland deferred contributions (Note b)	325,511	322,163
Gas tax unspent funds (Note g)	1,768,601	1,466,831
	\$ 2,097,897	\$ 1,792,739

- 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 (2014 - \$NIL). Interest earned on developer contributions is restricted and deferred; interest earned during the year was \$40 (2014 - \$46). Developer contributions expended on capital projects during the year was \$Nil (2014 - \$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 (2014 - \$7,000). Interest earned on parkland contributions is restricted and deferred; interest earned during the year was \$3,348 (2014 - \$3,946). Parkland acquired during the year was \$Nil (2014 - \$Nil).

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.

	2015	2014
Opening balance of unspent funds	\$ 1,466,831	\$ 1,684,516
Add amount received during the year	451,343	451,343
Add interest earned	14,764	19,355
Less eligible expenditures made during the year	(164,337)	(688,383)
Closing balance of unspent funds	\$ 1,768,601	\$ 1,466,831

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2015

10. 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.

11. OBLIGATIONS UNDER CAPITAL LEASES

The Regional District has financed assets under capital leases in the amount of \$243,320 (2014 - \$243,320), consisting of the Bamfield Volunteer Fire Department Hall and the Long Beach Airport Kubota loader. Principal payments on these capital leases in 2015 totaled \$45,659 (2014 - \$44,626). The outstanding obligation balance for leased capital assets as at December 31, 2015 was \$44,455 (2014- \$90,113).

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 2015, interest expenditures related to lease liabilities were \$1,254 (2014- \$2,287).

The remaining lease payment commitments are:

2016	\$	34,751
2017		<u>10,339</u>
Total minimum lease payments		45,090
Less: amount representing interest		<u>635</u>
Net obligation under capital lease	\$	<u>44,455</u>

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:

2016	\$	726,564
2017		682,916
2018		711,081
2019		740,415
2020		770,966
Thereafter		<u>12,258,911</u>

(continues)

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2015

12. DEBENTURE DEBT *(continued)*

\$ 15,890,853

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	2015 Net book value	2014 Net book value
Airport	\$ 7,339,340	\$ 1,434,162	\$ 5,905,178	\$ 5,799,343
Fire departments	4,742,967	2,286,904	2,456,063	2,311,098
Office and administration	1,998,768	1,287,774	710,994	721,396
Land	5,143,634	-	5,143,634	4,644,276
Landfills	9,853,527	1,788,452	8,065,075	8,139,396
Parks	399,679	151,810	247,869	237,254
Salmon beach	718,723	262,835	455,888	412,083
Water systems	2,665,664	1,539,447	1,126,217	1,106,312
Beaver Creek water system	6,715,532	2,935,692	3,779,840	3,620,983
Assets under construction	1,081,638	-	1,081,638	606,548
	\$ 40,659,472	\$ 11,687,076	\$ 28,972,396	\$ 27,598,689

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 11)*.

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.
- b) During the current year it was noted balances for Goods and Services collected and the Operating bank account required entries after the financial statements had been prepared.

The effects of the above restatements are as follows:

	As reported	Note a	Note b	As restated
Cash and cash equivalents	\$ 12,882,558	\$ 1,044	\$ 9	\$ 12,883,611
Accounts receivable	677,718	-	(20)	677,698
Accumulated surplus December 31, 2014	2,219,870	-	(11)	2,219,859
Landfill services	2,501,119	1,043	-	2,502,162
Annual surplus	928,668	1,044	-	929,712

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2015

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

	2015	2014
Accounts receivable	\$ (166,704)	\$ 528,950
Inventories for resale	(989)	(19,759)
Inventories of supplies	8,166	25,328
Accounts payable and accrued liabilities	220,564	15,417
Deferred revenue	(13,050)	(151,952)
Prepaid expenses	(11,017)	12,844
MFA Debt reserve deposit	(231)	(143,318)
Deposits	(1,000)	(950)
MFA debt reserve	231	143,318
Restricted revenues	305,158	(206,693)
Landfill closure liability	211,138	213,084
	\$ 552,266	\$ 416,269

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, 2015

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 trustee 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, 2015, the plan has about 185,000 active members and approximately 80,000 retired members. Active members include 37,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit. The most recent valuation for the Municipal Pension Plan as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis. 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, 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 \$124,697 for employer contributions to the plan in fiscal 2015 (2014 - \$113,712). Employees contributed \$125,364 to the plan in fiscal 2015 (2014 - \$117,038).

(continues)

REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Notes to Consolidated Financial Statements

Year Ended December 31, 2015

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, 2015 accumulated sick leave amounted to \$340,953 (2014 - \$295,674).

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.

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, the Regional District assumed the Improvement District lease office equipment with annual payments of \$2,628 per annum. The lease expired December 31, 2015.

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 25, 2015 and as amended November 25, 2015. 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 2015 budgeted annual surplus

Consolidated financial plan balanced cash budget as approved March 25, 2015 updated for amendments approved November 25, 2015	\$	1,636,613
Add transfers to reserves		3,531,329
Add principal debt payments		195,775
Less surplus from prior years		(1,582,730)
Less committed surplus from prior years		(1,721,534)
Less amortization		(818,000)

Consolidated accrual budgeted annual surplus	\$	1,241,453
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REGIONAL DISTRICT OF ALBERNI-CLAYOQUOT

Consolidated Schedule of Debenture Debt

(Schedule 1)

Year Ended December 31, 2015

Purpose	By-law	MFA Issue	Type of Security Issued	Maturity date	Term	Rate	Amount Borrowed	Total instalments to date	Actuarial addition	2015 Balance	2014 Balance	2016 Requirements as of December 31, 2015	
												Principal	Interest
Arena F1027	F1037	73	Sinking fund	01 Dec 2020	20	3.150%	\$ 3,579,209	\$ 2,090,202	\$ 261,076	\$ 1,227,931	\$ 1,442,721	\$ 118,648	\$ 75,164
Arena F1027	F1041	75	Sinking fund	01 Dec 2020	20	3.050%	68,332	35,559	4,942	27,831	31,727	2,067	2,084
Port Alberni 1004	1004	64	Sinking fund	25 Sep 2016	10	4.430%	245,300	197,759	28,795	18,746	36,599	7,419	10,867
Port Alberni 1060	1060	92	Sinking fund	04 Jun 2015	10	5.100%	797,642	724,043	73,599	-	94,560	-	-
Port Alberni F1062	1062	97	Sinking fund	19 Apr 2016	25	4.660%	3,375,064	780,675	76,975	2,517,414	2,628,326	81,042	157,278
Port Alberni F1062	1062	97	Sinking fund	19 Apr 2016	10	4.660%	438,170	351,561	34,664	51,945	101,891	36,496	10,209
Port Alberni F1111	1111	130	Sinking fund	14 Oct 2044	30	3.000%	5,750,000	102,523	-	5,647,477	5,750,000	102,523	172,500
Port Alberni F1114	F1114	131	Sinking fund	08 Apr 2035	20	2.200%	912,000	-	-	912,000	-	32,249	20,064
Port Alberni F1114	F1114	131	Sinking fund	08 Apr 2045	30	2.200%	2,000,000	-	-	2,000,000	-	38,743	44,000
Salmon Beach F1079	F1096	117	Sinking fund	12 Oct 2031	20	3.250%	939,800	126,241	7,778	805,781	841,283	31,560	30,542
Tofino F1062	1062	97	Sinking fund	19 Apr 2016	25	4.650%	1,250,000	289,133	28,509	932,358	973,435	30,014	58,250
Ucluelet 829	F1037	73	Sinking fund	01 Dec 2015	15	3.150%	300,000	266,640	33,360	-	27,217	-	-
Ucluelet F1074	F1095	117	Sinking fund	14 Jun 2036	25	3.250%	1,948,000	187,101	11,529	1,749,370	1,801,986	46,775	63,310
										\$ 15,890,853	\$ 13,729,745	\$ 527,536	\$ 644,268

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

(Schedule 2)

Year Ended December 31, 2015

	Cost			Closing Balance	Accumulated Amortization			2015 Net Book Value	2014 Net Book Value
	Opening Balance	Acquisitions	Transfers		Opening Balance	Amortization	2015		
Airport	\$ 6,916,642	\$ 631,077	\$ (208,379)	\$ 7,339,340	\$ (1,117,298)	\$ (316,864)	\$ (1,434,162)	\$ 5,905,178	\$ 5,799,344
Fire department	4,470,041	242,571	30,355	4,742,967	(2,158,943)	(127,961)	(2,286,904)	2,456,063	2,311,098
Office and administration	1,946,887	51,882	-	1,998,769	(1,225,491)	(62,283)	(1,287,774)	710,995	721,396
Land	4,644,276	499,358	-	5,143,634	-	-	-	5,143,634	4,644,276
Landfills	9,800,147	453,728	(400,348)	9,853,527	(1,660,750)	(127,701)	(1,788,451)	8,065,075	8,139,397
Parks	366,823	32,856	-	399,679	(129,569)	(22,240)	(151,809)	247,870	237,254
Salmon Beach	635,239	41,286	42,198	718,723	(223,156)	(39,679)	(262,835)	455,888	412,083
Water systems	2,540,612	15,432	109,619	2,665,663	(1,434,301)	(105,146)	(1,539,447)	1,126,216	1,106,311
Beaver Creek water system	6,418,166	345,900	(48,534)	6,715,532	(2,797,183)	(138,509)	(2,935,692)	3,779,840	3,620,983
Under construction	606,548	-	475,089	1,081,637	-	-	-	1,081,637	606,548
	\$ 38,345,381	\$ 2,314,090	\$ -	\$ 40,659,471	\$ (10,746,691)	\$ (940,383)	\$ (11,687,074)	\$ 28,972,396	\$ 27,598,690