

Regional District of Alberni-Clayoquot
Financial Statements
Year Ended December 31, 2017

Regional District of Alberni-Clayoquot
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Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To Board of Directors of the Alberni-Clayoquot Regional District

We have audited the accompanying financial statements of Alberni-Clayoquot Regional District, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alberni-Clayoquot Regional District as at December 31, 2017, and its results of operations, its changes in accumulated surplus, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
May 9, 2018

Regional District of Alberni-Clayoquot
Statement of Financial Position
Year Ended December 31, 2017

	2017	2016 restated note 2
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 16,251,346	\$ 14,385,248
Portfolio investments (note 3)	2,255	1,906
Accounts receivable (note 4)	848,614	962,532
Term receivables from municipalities (note 5)	14,164,141	14,342,485
Municipal Finance Authority debt reserve deposit (note 6)	333,623	263,364
Inventories for resale	57,074	36,009
	31,657,053	29,991,544
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,596,385	1,533,193
Deferred revenue	250,046	267,314
Deposits (note 7)	68,050	68,050
Restricted revenues (note 8)	398,417	390,315
Short term borrowing (note 10)	-	3,000,742
Landfill closure liability (note 11)	2,618,024	2,399,371
Municipal Finance Authority debt reserve	261,963	251,703
Capital leases (note 12)	-	11,679
Debenture debt (note 13)	20,892,769	15,109,846
	26,085,654	23,032,213
NET FINANCIAL ASSETS	5,571,399	6,959,331
NON-FINANCIAL ASSETS		
Tangible capital assets (note 14, Schedule 2)	39,469,104	35,331,472
Inventories of supplies	179,821	171,916
Prepaid expenses	53,500	68,589
	39,702,425	35,571,977
ACCUMULATED SURPLUS	\$ 45,273,824	\$ 42,531,308



Teri Fong, CPA, CGA
 Manager of Finance

The accompanying notes are an integral part of these financial statements.

Regional District of Alberni-Clayoquot
Statement of Operations
Year Ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual restated note 2
REVENUE			
Tax requisitions	\$ 5,692,768	\$ 5,692,769	\$ 5,597,243
Grants in lieu of taxes	30,500	100,506	96,386
Services provided to other governments	96,349	112,548	133,729
Sales of services	3,467,240	4,052,065	3,677,581
Miscellaneous revenue	691,000	1,169,701	741,667
Government transfers			
Conditional	3,244,380	1,969,980	2,522,990
Unconditional	125,000	191,899	187,763
	13,347,237	13,289,468	12,957,359
EXPENSES			
General government services	1,487,250	1,348,206	1,299,108
Electoral area administration	73,000	75,744	64,600
Management of development - rural	375,000	272,627	305,937
Regional planning services	180,500	156,021	162,439
Building inspection services	255,500	231,339	222,448
Park services	327,600	177,134	163,779
Fire protection services	780,350	818,012	744,812
Landfill services	2,968,000	2,790,185	2,535,245
AV water study	21,000	9,985	32,798
Custom transit	547,000	467,583	469,881
Airport services	912,085	1,366,663	672,129
Street lighting	2,420	2,368	2,290
Emergency planning	217,000	140,185	210,712
E911 telephone services	307,000	305,952	298,470
Vancouver Island library services	465,500	465,024	450,088
South Long Beach bike path	7,200	7,100	1,802
Grant-in-aid	387,110	317,122	341,093
Noise control	11,300	4,078	4,434
Animal control	10,112	3,580	2,433
Multi-purpose arena contribution	308,363	300,600	228,060
Water systems	1,239,118	1,031,201	1,036,847
Salmon Beach	379,620	256,243	297,749
	11,262,028	10,546,952	9,547,154
ANNUAL SURPLUS	\$ 2,085,209	\$ 2,742,516	\$ 3,410,205

The accompanying notes are an integral part of these financial statements.

Regional District of Alberni-Clayoquot
Statement of Changes in Accumulated Surplus
Year Ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual restated note 2
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 42,531,308	\$ 42,531,308	\$ 36,952,223
Prior period restatement	-	-	2,168,880
As restated	42,531,308	42,531,308	39,121,103
ANNUAL SURPLUS	2,085,209	2,742,516	3,410,205
ACCUMULATED SURPLUS - END OF YEAR	\$ 44,616,517	\$ 45,273,824	\$ 42,531,308

The accompanying notes are an integral part of these financial statements.

Regional District of Alberni-Clayoquot
Statement of Changes in Net Financial Assets
Year Ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual restated note 2
ANNUAL SURPLUS	\$ 2,085,209	\$ 2,742,516	\$ 3,410,205
Acquisition of prepaids	-	15,089	(8,123)
Acquisition of inventory of supplies	-	(7,905)	74,842
Acquisition of tangible capital assets	-	(5,704,466)	(6,920,240)
Amortization	961,950	1,566,834	949,784
	961,950	(4,130,448)	(5,903,737)
CHANGE IN NET FINANCIAL ASSETS	3,047,159	(1,387,932)	(2,493,532)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	6,959,331	6,959,331	9,452,863
NET FINANCIAL ASSETS - END OF YEAR	\$ 10,006,490	\$ 5,571,399	\$ 6,959,331

The accompanying notes are an integral part of these financial statements.

Regional District of Alberni-Clayoquot

Statement of Cash Flows

Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Annual surplus	\$ 2,742,516	\$ 3,410,205
Item not affecting cash:		
Amortization of tangible capital assets	1,566,834	949,784
Developer contributions of tangible capital assets	(81,550)	-
Actuarial adjustment of long term debt	(7,174)	(6,859)
	4,220,626	4,353,130
Changes in non-cash working capital (note 15)	312,718	986,821
	4,533,344	5,339,951
FINANCING ACTIVITIES		
Proceeds (conversion) of short-term debt financing	(3,000,742)	3,000,742
Proceeds from debenture debt financing	6,000,000	-
Repayment (advances) of long term debenture debt	(31,560)	(31,560)
Repayment of obligations under capital lease	(11,679)	(32,775)
	2,956,019	2,936,407
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(5,622,916)	(6,920,240)
INVESTING ACTIVITIES		
Addition to portfolio investments	(349)	(253)
INCREASE IN CASH FLOW	1,866,098	1,355,865
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	14,385,248	13,029,383
CASH AND CASH EQUIVALENTS - END OF YEAR	16,251,346	14,385,248
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Bank balances	\$ 16,251,346	\$ 14,385,248

The accompanying notes are an integral part of these financial statements.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The 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 Professional Accountants.

Budget reporting

The budget information reported in the statement of operations, the statement of changes in accumulated surplus and the statement of changes in net financial assets represents the 2017 budget as adopted by the District's Board on March 22, 2017.

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.

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.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2017

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

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 that 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

Leave benefits such as vacation, along with retirement allowance benefits, are also available to the District's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and benefit increases. The obligation under this benefit plan is accrued based on projected benefits as the employees render services necessary to earn the future benefits.

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 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.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2017

1. 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 department	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.

Landfill liability

The liability for closure of operational sites and post-closure care has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

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.

Regional District of Alberni-Clayoquot
Notes to Financial Statements
Year Ended December 31, 2017

2. PRIOR PERIOD RESTATEMENT

Accumulated surplus as at December 31, 2015 has been restated as follows:

- a) During the year, it was determined that certain restricted revenues related to the Federal Gas Tax Community Works Fund would no longer be deferred and would instead be recognized as revenue on receipt and unspent funds held in reserve. This resulted in a retroactive restatement to increase accumulated surplus at December 31, 2015 by \$1,768,599, and to increase in revenue by \$333,820 during the year ended December 31, 2016.
- b) Prior year balances have been corrected to recognize employee future retirement benefit costs as per collective agreement and exempt contracts. The impact of this correction is an increase in payables by \$14,591 and a corresponding increase in expenses.
- c) The Municipal Finance Authority actuarial adjustments have also been recorded retroactively. The impact of this correction is a reduction of term receivables from municipalities by \$52,944, debt outstanding by \$54,443, and an increase in revenue of \$1,499 as at and for the year ending December 31, 2016 as well as an increase in accumulated surplus of \$11,660 as at December 31, 2015. Also, the debt reserve fund deposit decreased by \$427,501 and the debt reserve fund liability decreased by \$439,161.
- d) Parkland that was dedicated through subdivision was recorded as an increase in assets by \$388,619 and a corresponding increase in accumulated surplus at December 31, 2015.
- e) Revenue from Island Health for the Alberni Clayoquot Health Network was determined to require deferment. The impact increased deferred revenue by \$77,333 with a corresponding decrease in revenue as at and for the year ended December 31, 2016.

The effect of the above restatement is as follows:

As at December 31, 2016	Balance prior to correction	Correction	Corrected Balance
Statement of financial position:			
Term receivables from municipalities	\$14,395,429	\$(52,944)	\$14,342,485
Municipal Finance Authority debt reserve deposit	690,865	(427,501)	263,364
Accounts payable and accrued liabilities	1,518,602	14,591	1,533,193
Deferred revenue	193,981	73,333	267,314
Restricted revenues	2,492,736	(2,102,421)	390,315
Municipal Finance Authority debt reserve	690,865	(439,162)	251,703
Debenture debt	15,164,289	(54,443)	15,109,846
Tangible capital assets	34,942,853	388,619	35,331,472
Accumulated surplus	40,115,035	2,416,273	42,531,308
For the year ending December 31, 2016			
Statement of operations:			
Miscellaneous revenue	722,890	18,777	741,667
Government transfers – conditional	2,279,781	243,209	2,522,990
Expenses	9,532,563	14,591	9,547,154
Annual surplus	3,162,810	247,395	3,410,205

Regional District of Alberni-Clayoquot
Notes to Financial Statements
Year Ended December 31, 2017

3. PORTFOLIO INVESTMENTS

	2017	2016
Alberni District Co-op Association equity shares	\$ 2,255	\$ 1,906

4. ACCOUNTS RECEIVABLE

	2017	2016
Trade and other receivables	\$ 619,466	\$ 608,157
Goods and services tax recoverable	92,672	30,898
Government of Canada	1,500	45,089
Province of British Columbia	110,358	274,196
Local governments	41,163	37,150
Subtotal	865,159	995,490
Less allowances for doubtful accounts	(16,545)	(32,958)
Accounts receivable - net	\$ 848,614	\$ 962,532

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.

	2017	2016
City of Port Alberni	\$ 10,442,501	\$ 10,753,024
District of Tofino	833,851	879,527
District of Ucluelet	2,110,022	1,692,430
Multiplex Arena	777,767	1,017,504
	\$ 14,164,141	\$ 14,342,485

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2017

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.

	2017	2016
Performance deposits	\$ 68,050	\$ 68,050

8. RESTRICTED REVENUES

	2017	2016
Development cost charges (Note a)	\$ 66,044	\$ 61,730
Parkland deferred contributions (Note b)	332,373	328,585
	\$ 398,417	\$ 390,315

- 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 \$3,600 (2016 - \$57,600). Interest earned on developer contributions is restricted and deferred; interest earned during the year was \$714 (2016 - \$346). Developer contributions expended on capital projects during the year was \$nil (2016 - \$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 (2016 - \$nil). Interest earned on parkland contributions is restricted and deferred; interest earned during the year was \$3,788 (2016 - \$3,073). Parkland acquired during the year was \$Nil (2016 - \$nil).

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2017

9. 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. The following amounts are unspent funds held within accumulated surplus of the District.

	2017	2016
Opening balance of unspent funds	\$ 2,102,421	\$ 1,768,601
Add amount received during the year	472,296	466,542
Add interest earned	25,507	17,278
Less eligible expenditures made during the year	(85,499)	(150,000)
Closing balance of unspent funds	\$ 2,514,725	\$ 2,102,421

10. SHORT TERM DEBT

In 2016, the short-term debt consisted of borrowing from the Municipal Finance Authority (MFA) for interim funding for the Alberni Valley Regional Airport (AVRA) expansion project during construction. In the fall of 2017, the short-term debt was converted into long-term debt.

	2017	2016
AVRA Expansion Project	\$ -	\$ 3,000,742

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 sites. The liability for closure of operational sites and post-closure care has been recognized based upon the usage of the site's capacity during the year. The costs were based upon the 2012 budget and inflation adjusted at 1.5% per annum to the estimated year of closure. These costs were then discounted to December 31, 2017 using a discount rate of 3.23%. Post-closure care is estimated to be required for 25 years from the date of site closure.

The liability for closure and post-closure as at December 31, 2017 is \$2,618,024 (2016 - \$2,399,371). Estimated expenses for closure and post-closure care are \$17,121,625 (2016 - \$17,121,625). The liability remaining to be recognized is \$14,503,601 (2016 - \$14,722,254). It is estimated that the life of the Alberni Valley Landfill is 72 years and the West Coast Landfill is 56 years.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2017

12. OBLIGATIONS UNDER CAPITAL LEASES

The Regional District had financed the Long Beach Airport Kubota loader under a capital lease in the amount of \$84,270 through the MFA Equipment Financing Program. The loader was paid in full on July 28, 2017. The Principal payments on the capital lease in 2017 totaled \$11,679 (2016 - \$32,775). The outstanding obligation balance for the leased capital asset as at December 31, 2017 was \$nil (2016- \$11,679). In 2017, interest expenditures related to lease liabilities were \$1,530 (2016- \$923).

13. DEBENTURE DEBT

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:

2018	\$	862,736
2019		896,619
2020		931,856
2021		688,790
2022		708,832
Thereafter		<u>16,803,936</u>
	\$	<u>20,892,769</u>

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

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2017

14. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Airport	\$ 16,704,288	\$ 2,464,470	\$ 14,239,818	\$ 5,983,588
Fire department	5,264,545	2,613,017	2,651,528	2,584,608
Office and administration	2,160,525	1,469,401	691,124	757,538
Land	5,532,253	-	5,532,253	5,532,253
Landfills	11,184,386	2,101,376	9,083,010	8,483,014
Parks	513,934	211,641	302,293	233,216
Salmon beach	726,843	330,646	396,197	425,729
Water systems	2,769,685	1,761,627	1,008,058	1,053,514
Beaver Creek water system	7,386,722	3,249,322	4,137,400	4,151,260
Under construction	1,427,423	-	1,427,423	6,126,752
	\$ 53,670,604	\$ 14,201,500	\$ 39,469,104	\$ 35,331,472

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

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

	2017	2016
Accounts receivable	\$ 113,918	\$ (116,739)
Inventories for resale	(21,065)	11,695
Inventories of supplies	(7,905)	74,842
Accounts payable and accrued liabilities	63,194	563,249
Deferred revenue	(17,268)	164,361
Prepaid expenses	15,089	(8,123)
Contribution to Municipal Finance Authority debt reserve deposit	(60,000)	-
Deposits	-	25,000
Restricted revenues	8,102	61,019
Landfill closure liability	218,653	211,517
	\$ 312,718	\$ 986,821

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2017

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
Comox Valley - 6 shares
Strathcona - 4 shares

Mount Waddington - 1 share
Nanaimo - 5 shares
Powell River - 2 shares

The Regional District's investment in shares of the North Island 911 Corporation is recorded at cost. The Regional District, through approval of the annual budget, is responsible for its share in funding ongoing operations. 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.

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.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2017

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, 2017.

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, 2016, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include 38,000 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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

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. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. 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 \$145,322 for employer contributions to the plan in fiscal 2017 (2016 - \$141,799). Employees contributed \$128,759 to the plan in fiscal 2017 (2016 - \$129,469).

Regional District of Alberni-Clayoquot
Notes to Financial Statements
Year Ended December 31, 2017

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, 2017 accumulated sick leave amounted to \$352,766 (2016 - \$367,790).

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 pump house 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. BUDGET RECONCILIATION

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 22, 2017. 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 2017 budgeted annual surplus

Consolidated financial plan balanced cash budget as approved March 22, 2017	\$1,162,452
Add transfers to reserves	6,181,896
Add principal debt payments	43,260
Less surplus from prior years	(1,936,047)
Less committed surplus from prior years	(2,404,402)
Less amortization	(961,950)
Accrual budgeted annual surplus	2,085,209

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2017

21. CONTAMINATED SITES

During 2017, 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.

22. COMMITMENTS

As at December 31, 2017, the District has outstanding commitments to capital projects totalling \$2,565,378 and operating contracts totalling \$4,089,291.

23. COMPARATIVE FIGURES

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

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Regional District of Alberni-Clayoquot
Schedule of Debenture Debt
Year Ended December 31, 2017

(Schedule 1)

	By-law	MFA Issue	Maturity date	Term	Rate	Amount Borrowed	Total Instalments to date	Actuarial addition	2017 Balance	2016 Balance
Arena F1027	F1037	73	01 Dec 2020	20	2.10%	\$ 3,579,209	\$ 1,923,384	\$ 897,300	\$ 758,525	\$ 993,949
Arena F1027	F1041	75	01 Dec 2021	20	1.75%	68,332	33,065	16,025	19,242	23,556
Port Alberni F1062	1062	97	19 Apr 2031	25	1.75%	3,375,064	891,461	232,161	2,251,442	2,374,769
Port Alberni F1111	1111	130	14 Oct 2044	30	3.00%	5,750,000	307,569	15,203	5,427,228	5,539,065
Port Alberni F1114	F1114	131	08 Apr 2035	20	2.20%	912,000	64,498	2,810	844,692	878,925
Port Alberni F1114	F1114	131	08 Apr 2045	30	2.20%	2,000,000	77,485	3,375	1,919,140	1,960,265
Salmon Beach F1079	F1096	117	12 Oct 2031	20	3.25%	939,800	189,361	21,812	728,627	767,361
Tofino F1062	1062	97	19 Apr 2031	25	1.75%	1,250,000	330,164	85,983	833,853	879,527
Ucluelet F1074	F1095	117	12 Oct 2036	25	3.25%	1,948,000	280,652	32,328	1,635,020	1,692,429
Ucluelet F1130	F1130	141	07 Apr 2032	15	2.80%	475,000	-	-	475,000	-
AVRA F1120	F1120	142	04 Oct 2047	30	3.15%	6,000,000	-	-	6,000,000	-
									\$ 20,892,769	\$ 15,109,846

The accompanying notes are an integral part of these financial statements.

Regional District of Alberni-Clayoquot
Schedule of Tangible Capital Assets
Year Ended December 31, 2017

(Schedule 2)

	Cost				Accumulated Amortization				2017	2016	
	Opening Balance	Acquisitions	Transfers	Disposals	Closing Balance	Opening Balance	Amortization	Disposals	Closing Balance	Net Book Value	Net Book Value
Airport	\$ 7,665,473	\$ 3,884,091	\$ 5,154,724	\$ -	\$ 16,704,288	\$ (1,681,885)	\$ (782,585)	\$ -	\$ (2,464,470)	\$ 14,239,818	\$ 5,983,588
Fire department	5,029,273	230,228	5,044	-	5,264,545	(2,444,665)	(168,352)	-	(2,613,017)	2,651,528	2,584,608
Office and administration	2,110,503	50,022	-	-	2,160,525	(1,352,965)	(116,436)	-	(1,469,401)	691,124	757,538
Land	5,532,253	-	-	-	5,532,253	-	-	-	-	5,532,253	5,532,253
Landfills	10,424,371	471,154	288,861	-	11,184,386	(1,941,357)	(160,019)	-	(2,101,376)	9,083,010	8,483,014
Parks	406,347	165,690	(58,103)	-	513,934	(173,131)	(38,510)	-	(211,641)	302,293	233,216
Salmon beach	726,843	-	-	-	726,843	(301,114)	(29,532)	-	(330,646)	396,197	425,729
Water systems	2,705,270	771,791	(707,376)	-	2,769,685	(1,651,756)	(109,871)	-	(1,761,627)	1,008,058	1,053,514
Beaver Creek water system	7,239,053	131,490	16,179	-	7,386,722	(3,087,793)	(161,529)	-	(3,249,322)	4,137,400	4,151,260
Under construction	6,126,752	-	(4,699,329)	-	1,427,423	-	-	-	-	1,427,423	6,126,752
	\$ 47,966,138	\$ 5,704,466	\$ -	\$ -	\$ 53,670,604	\$ (12,634,666)	\$ (1,566,834)	\$ -	\$ (14,201,500)	\$ 39,469,104	\$ 35,331,472

The accompanying notes are an integral part of these financial statements.