

Regional District of Alberni-Clayoquot
Financial Statements
Year Ended December 31, 2018

Regional District of Alberni-Clayoquot
Index to Financial Statements
Year Ended December 31, 2018

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Accumulated Surplus	6
Statement of Changes in Net Financial Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 19
Schedule of Debenture Debt (Schedule 1)	20
Schedule of Tangible Capital Assets (Schedule 2)	21



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITORS' REPORT

To Board of Directors of the Alberni-Clayoquot Regional District

Opinion

We have audited the financial statements of Alberni-Clayoquot Regional District (the District), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Alberni-Clayoquot Regional District as at December 31, 2018, and its results of operations, its changes in accumulated surplus, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
April 24, 2019

Regional District of Alberni-Clayoquot
Statement of Financial Position
Year Ended December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 18,038,352	\$ 16,251,346
Portfolio investments (Note 2)	2,459	2,255
Accounts receivable (Note 3)	1,148,383	848,614
Term receivables from municipalities (Note 4)	13,457,719	14,164,141
Municipal Finance Authority debt reserve deposit (Note 5)	345,841	333,623
Inventories for resale	46,941	57,074
	33,039,695	31,657,053
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,615,350	1,596,385
Deferred revenue	207,855	250,046
Deposits (Note 6)	91,397	68,050
Restricted revenues (Note 7)	405,864	398,417
Landfill closure liability (Note 9)	2,880,624	2,618,024
Municipal Finance Authority debt reserve	267,662	261,963
Debenture debt (Note 10, Schedule 1)	20,511,280	20,892,769
	25,980,032	26,085,654
NET FINANCIAL ASSETS	7,059,663	5,571,399
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11, Schedule 2)	41,446,653	39,469,104
Inventories of supplies	69,163	179,821
Prepaid expenses	86,752	53,500
	41,602,568	39,702,425
ACCUMULATED SURPLUS	\$ 48,662,231	\$ 45,273,824

Contingent liabilities and commitments (Note 16)

Contractual Rights (Note 17)



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, 2018

	2018 Budget (Note 18)	2018 Actual	2017 Actual
REVENUE			
Tax requisitions	\$ 6,025,399	\$ 6,133,154	\$ 5,692,769
Grants in lieu of taxes	30,500	100,048	100,506
Services provided to other governments	39,345	37,524	112,548
Sales of services	3,682,240	4,433,596	4,052,065
Miscellaneous revenue	710,000	1,977,236	1,168,549
Government transfers			
Conditional	2,151,515	2,276,260	1,971,131
Unconditional	125,000	192,213	191,899
	12,763,999	15,150,031	13,289,467
EXPENSES			
General government services	1,672,400	1,520,137	1,348,205
Electoral area administration	880,956	168,236	75,744
Management of development - rural	431,000	320,613	272,627
Regional planning services	188,568	233,862	156,021
Building inspection services	264,500	214,971	231,339
Park services	208,100	178,728	177,134
Fire protection services	814,495	853,276	818,012
Landfill services	3,287,500	3,269,322	2,790,185
AV water study	11,016	6,000	9,985
Custom transit	564,000	468,885	467,583
Airport services	1,803,436	1,619,086	1,366,663
Street lighting	2,525	2,414	2,368
Emergency planning	233,500	147,234	140,185
E911 telephone services	307,000	304,447	305,952
Vancouver Island library services	454,000	453,044	465,024
South Long Beach bike path	7,200	7,179	7,100
Grant-in-aid	310,687	277,680	317,122
Noise control	11,300	4,302	4,078
Animal control	9,252	3,652	3,580
Multi-purpose arena contribution	206,312	198,374	300,600
Water systems	1,300,429	1,198,905	1,031,201
Salmon Beach	398,640	311,277	256,243
	13,366,816	11,761,624	10,546,951
ANNUAL SURPLUS (DEFICIT)	\$ (602,817)	\$ 3,388,407	\$ 2,742,516

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, 2018

	2018 Budget (Note 18)	2018 Actual	2017 Actual
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 45,273,824	\$ 45,273,824	\$ 42,531,308
ANNUAL SURPLUS (DEFICIT)	(602,817)	3,388,407	2,742,516
ACCUMULATED SURPLUS - END OF YEAR	\$ 44,671,007	\$ 48,662,231	\$ 45,273,824

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, 2018

	2018 Budget (Note 18)	2018 Actual	2017 Actual
ANNUAL SURPLUS (DEFICIT)	\$ (602,817)	\$ 3,388,407	\$ 2,742,516
Use (acquisition) of prepaids	-	(33,252)	15,089
Use (acquisition) of inventory of supplies	-	110,658	(7,905)
Acquisition of tangible capital assets	-	(3,540,775)	(5,704,466)
Amortization	1,551,750	1,563,226	1,566,834
	1,551,750	(1,900,143)	(4,130,448)
CHANGE IN NET FINANCIAL ASSETS	948,933	1,488,264	(1,387,932)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	5,571,399	5,571,399	6,959,331
NET FINANCIAL ASSETS - END OF YEAR	\$ 6,520,332	\$ 7,059,663	\$ 5,571,399

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

Regional District of Alberni-Clayoquot

Statement of Cash Flows

Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Annual surplus	\$ 3,388,407	\$ 2,742,516
Item not affecting cash:		
Amortization of tangible capital assets	1,563,226	1,566,834
Developer contributions of tangible capital assets	(739,000)	(81,550)
Contribution to Municipal Finance Authority debt reserve deposit	(6,519)	(60,000)
Landfill closure liability	262,600	218,653
Actuarial adjustments of long term debt	(9,636)	(7,174)
	4,459,078	4,379,279
Changes in non-cash working capital (Note 12)	(204,662)	154,065
	4,254,416	4,533,344
FINANCING ACTIVITIES		
Proceeds (conversion) of short-term debt financing	-	(3,000,742)
Proceeds from debenture debt financing	492,245	6,000,000
Repayment (advances) of long term debenture debt	(157,676)	(31,560)
Repayment of obligations under capital lease	-	(11,679)
	334,569	2,956,019
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(2,801,775)	(5,622,916)
INVESTING ACTIVITIES		
Addition to portfolio investments	(204)	(349)
INCREASE IN CASH FLOW	1,787,006	1,866,098
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	16,251,346	14,385,248
CASH AND CASH EQUIVALENTS - END OF YEAR	18,038,352	16,251,346
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Bank balances	\$ 18,038,352	\$ 16,251,346

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

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2018

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 2018 budget as adopted by the District's Board on March 28, 2018.

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.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and expenditure recognition (continued)

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 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 repayments and actuarial additions. Interest expense is recorded in the period incurred. 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, 2018

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 - 2078 and 2093, 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 landfill closure obligations.

2. PORTFOLIO INVESTMENTS

	2018	2017
Alberni District Co-op Association equity shares	\$ 2,459	\$ 2,255

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2018

3. ACCOUNTS RECEIVABLE

	2018	2017
Trade and other receivables	\$ 475,860	\$ 619,466
Goods and services tax recoverable	79,729	92,672
Government of Canada	93,499	1,500
Province of British Columbia	412,278	110,358
Local governments	107,022	41,163
Subtotal	1,168,388	865,159
Less allowance for doubtful accounts	(20,005)	(16,545)
Accounts receivable - net	\$ 1,148,383	\$ 848,614

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.

	2018	2017
City of Port Alberni	\$ 10,119,936	\$ 10,442,501
District of Tofino	786,349	833,851
District of Ucluelet	2,024,214	2,110,022
Multiplex Arena	527,220	777,767
	\$ 13,457,719	\$ 14,164,141

5. MUNICIPAL FINANCE AUTHORITY 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. The balance of the Debt Reserve Fund deposits at December 31, 2018 is \$345,841 (2017 - \$333,623).

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2018

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.

	2018	2017
Performance deposits	\$ 91,397	\$ 68,050

7. RESTRICTED REVENUES

	2018	2017
Development cost charges	\$ 67,278	\$ 66,044
Parkland deferred contributions	338,586	332,373
	\$ 405,864	\$ 398,417

- (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 (2017 - \$3,600). Interest earned on developer contributions is restricted and deferred; interest earned during the year was \$1,234 (2017 - \$714). Developer contributions expended on capital projects during the year was \$nil (2017 - \$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 (2017 - \$nil). Interest earned on parkland contributions is restricted and deferred; interest earned during the year was \$6,212 (2017 - \$3,788). Parkland acquired during the year was \$nil (2017 - \$nil).

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2018

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

	2018	2017
Opening balance of unspent funds	\$ 2,494,682	\$ 2,102,421
Add amount received during the year	488,809	472,296
Add interest earned	48,706	25,507
Less eligible expenditures made during the year	(136,367)	(105,542)
Closing balance of unspent funds	\$ 2,895,830	\$ 2,494,682

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 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 1.46% (2017 - 1.5%) per annum to the estimated year of closure. These costs were then discounted to December 31, 2018 using a discount rate of 2.95% (2017 - 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, 2018 is \$2,880,624 (2017 - \$2,618,024). Estimated expenses for closure and post-closure care are \$17,121,625 (2017 - \$17,121,625). The liability remaining to be recognized is \$14,241,001 (2017 - \$14,503,601). It is estimated that the life of the Alberni Valley Landfill is 75 (2017 - 72) years and the West Coast Landfill is 60 (2017 - 56) years.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2018

10. DEBENTURE DEBT

All borrowings for the District are with the Municipal Finance Authority of BC (MFA). Debt interest costs recognized as expense 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:

2019	\$	914,938
2020		939,425
2021		708,005
2022		728,850
2023		755,661
Thereafter		<u>16,464,401</u>
	\$	<u>20,511,280</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.

11. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Airport	\$ 17,176,423	\$ 3,261,205	\$ 13,915,218	\$ 14,239,818
Fire department	5,249,553	2,738,364	2,511,189	2,651,528
Office and administration	2,208,431	1,586,056	622,375	691,124
Land	6,271,253	-	6,271,253	5,532,253
Landfills	11,286,003	2,260,719	9,025,284	9,083,010
Parks	624,041	239,015	385,026	302,293
Salmon beach	742,938	356,766	386,172	396,197
Water systems	5,150,413	1,866,299	3,284,114	1,008,058
Beaver Creek water system	7,759,050	3,416,306	4,342,744	4,137,400
Under construction	703,278	-	703,278	1,427,423
	<u>\$ 57,171,383</u>	<u>\$ 15,724,730</u>	<u>\$ 41,446,653</u>	<u>\$ 39,469,104</u>

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.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2018

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

	2018	2017
Accounts receivable	\$ (299,769)	\$ 113,918
Inventories for resale	10,133	(21,065)
Inventories of supplies	110,658	(7,905)
Accounts payable and accrued liabilities	18,965	63,194
Deferred revenue	(42,191)	(17,268)
Prepaid expenses	(33,252)	15,089
Deposits	23,347	-
Restricted revenues	7,447	8,102
	\$ (204,662)	\$ 154,065

13. FINANCIAL INSTRUMENTS

For cash, accounts receivable, other receivables, accounts payable, and accrued liabilities, 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.

14. 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 9-1-1 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.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2018

15. 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.

16. 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, 2018.

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, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include 39,000 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.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2018

16. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

c) PENSION LIABILITY (continued)

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 \$159,061 for employer contributions to the plan in fiscal 2018 (2017 - \$145,322). Employees contributed \$141,275 to the plan in fiscal 2018 (2017 - \$128,759).

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, 2018 accumulated sick leave amounted to \$399,665 (2017 - \$352,766).

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.

f) COMMITMENTS

At December 31, 2018, the District has outstanding commitments to capital projects totalling \$3,048,862 and operating contracts as follows:

2019	\$	1,181,127
2020		514,734
2021		260,383
2022		20,100
		<hr/>
	\$	1,976,344

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2018

17. CONTRACTUAL RIGHTS

The Regional District has entered into various contracts for rental revenue within the normal course of operations. The estimated contractual rights under these contracts are as follows:

2019	\$	135,591
2020		128,087
2021		111,794
2022		34,173
2023		30,317
Thereafter		362,385
		<hr/>
	\$	802,347

18. BUDGET RECONCILIATION

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 28, 2018. 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 2018 budgeted annual surplus

Consolidated financial plan balanced cash budget as approved March 28, 2018	\$	1,516,288
Add transfers to reserves		4,022,706
Add principal debt payments		158,176
Less surplus from prior years		(2,067,008)
Less committed surplus from prior years		(2,681,229)
Less amortization		(1,551,750)
		<hr/>
Accrual budgeted annual surplus	\$	(602,817)

19. CONTAMINATED SITES

During 2018, 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.

20. COMPARATIVE FIGURES

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

Regional District of Alberni-Clayoquot
Schedule of Debenture Debt
Year Ended December 31, 2018

(Schedule 1)

	By-law	MFA Issue	Maturity date	Term	Rate	Amount Borrowed	Total Instalments to date	Actuarial addition	2018 Balance	2017 Balance
Arena F1027	F1037	73	01 Dec 2020	20	2.10%	\$ 3,579,209	\$ 2,042,032	\$ 1,024,669	\$ 512,508	\$ 758,525
Arena F1027	F1041	75	01 Dec 2021	20	1.75%	68,332	35,132	18,488	14,712	19,242
Port Alberni F1062	1062	97	19 Apr 2031	25	1.75%	3,375,064	972,503	279,380	2,123,181	2,251,442
Port Alberni F1111	1111	130	14 Oct 2044	30	3.00%	5,750,000	410,092	28,990	5,310,918	5,427,228
Port Alberni F1114	F1114	131	08 Apr 2035	20	2.20%	912,000	96,747	5,991	809,262	844,692
Port Alberni F1114	F1114	131	08 Apr 2045	30	2.20%	2,000,000	116,228	7,197	1,876,575	1,919,140
Salmon Beach F1079	F1096	117	12 Oct 2031	20	3.25%	939,800	220,921	30,536	688,343	728,627
Tofino F1062	1062	97	19 Apr 2031	25	1.75%	1,250,000	360,179	103,471	786,350	833,853
Ucluelet F1074	F1095	117	12 Oct 2036	25	3.25%	1,948,000	327,427	45,257	1,575,316	1,635,020
Ucluelet F1130	F1130	141	07 Apr 2032	15	2.80%	475,000	25,539	563	448,898	475,000
AVRA F1120	F1120	142	04 Oct 2047	30	3.15%	6,000,000	126,116	912	5,872,972	6,000,000
BWS F1126	F1126	146	19 Sep 2038	20	3.20%	492,245	-	-	492,245	-
									\$ 20,511,280	\$ 20,892,769

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, 2018

(Schedule 2)

	Cost					Accumulated Amortization				2018	2017
	Opening Balance	Acquisitions	Transfers	Disposals	Closing Balance	Opening Balance	Amortization	Disposals	Closing Balance	Net Book Value	Net Book Value
Airport	\$ 16,704,289	\$ 312,408	\$ 159,726	\$ -	\$ 17,176,423	\$ (2,414,391)	\$ (846,814)	\$ -	\$ (3,261,205)	\$ 13,915,218	\$ 14,239,818
Fire department	5,264,545	35,532	(10,524)	(40,000)	5,249,553	(2,613,017)	(165,347)	40,000	(2,738,364)	2,511,189	2,651,528
Office and administration	2,160,525	40,906	7,000	-	2,208,431	(1,519,481)	(66,575)	-	(1,586,056)	622,375	691,124
Land	5,532,253	739,000	-	-	6,271,253	-	-	-	-	6,271,253	5,532,253
Landfills	11,184,387	323,679	(222,063)	-	11,286,003	(2,101,376)	(159,343)	-	(2,260,719)	9,025,284	9,083,011
Parks	513,935	103,512	6,594	-	624,041	(211,642)	(27,373)	-	(239,015)	385,026	302,293
Salmon beach	726,843	12,036	4,059	-	742,938	(330,647)	(26,119)	-	(356,766)	386,172	396,196
Water systems	2,769,686	1,616,463	764,264	-	5,150,413	(1,761,628)	(104,671)	-	(1,866,299)	3,284,114	1,008,058
Beaver Creek water system	7,386,722	357,239	15,089	-	7,759,050	(3,249,322)	(166,984)	-	(3,416,306)	4,342,744	4,137,400
Under construction	1,427,423	-	(724,145)	-	703,278	-	-	-	-	703,278	1,427,423
	\$ 53,670,608	\$ 3,540,775	\$ -	\$ (40,000)	\$ 57,171,383	\$ (14,201,504)	\$ (1,563,226)	\$ 40,000	\$ (15,724,730)	\$ 41,446,653	\$ 39,469,104

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