

Regional District of Alberni-Clayoquot
Financial Statements
Year Ended December 31, 2019

Regional District of Alberni-Clayoquot
Index to Financial Statements
Year Ended December 31, 2019

	Page
INDEPENDENT AUDITOR'S REPORT	3 - 5
FINANCIAL STATEMENTS	
Statement of Financial Position	6
Statement of Operations	7
Statement of Changes in Accumulated Surplus	8
Statement of Changes in Net Financial Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	11 - 21
Schedule of Debenture Debt (Schedule 1)	22
Schedule of Tangible Capital Assets (Schedule 2)	23



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Tel (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, 2019
- 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, 2019, 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

April 22, 2020
Victoria, Canada

Regional District of Alberni-Clayoquot
Statement of Financial Position
Year Ended December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 18,071,480	\$ 18,038,352
Portfolio investments (Note 2)	2,630	2,459
Accounts receivable (Note 3)	1,400,197	1,148,383
Term receivables from municipalities (Note 4)	12,722,638	13,457,719
Municipal Finance Authority debt reserve deposit (Note 5)	353,896	345,841
Inventories for resale	65,012	46,941
	32,615,853	33,039,695
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,791,314	1,615,350
Deferred revenue	260,437	207,855
Deposits (Note 6)	15,050	91,397
Restricted revenues (Note 7)	464,550	405,864
Landfill closure liability (Note 9)	3,186,292	2,880,624
Municipal Finance Authority debt reserve	272,182	267,662
Debt (Note 10, Schedule 1)	19,585,003	20,511,280
	25,574,828	25,980,032
NET FINANCIAL ASSETS	7,041,025	7,059,663
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11, Schedule 2)	46,656,895	41,446,653
Inventories of supplies	74,183	69,163
Prepaid expenses	71,547	86,752
	46,802,625	41,602,568
ACCUMULATED SURPLUS	\$ 53,843,650	\$ 48,662,231

Contingent liabilities and commitments (Notes 5 and 16)

Contractual rights (Note 17)

Subsequent event (Note 20)



Teri Fong, CPA, CGA
 Chief Financial Officer

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

Regional District of Alberni-Clayoquot

Statement of Operations

Year Ended December 31, 2019

	2019 Budget (Note 18)	2019 Actual	2018 Actual
REVENUE			
Tax requisitions	\$ 6,564,231	\$ 6,564,227	\$ 6,133,154
Grants in lieu of taxes	30,500	106,299	100,048
Services provided to other governments	39,600	44,430	37,524
Sales of services	3,983,092	4,480,497	4,433,596
Miscellaneous revenue	786,000	1,206,626	1,977,236
Government transfers			
Conditional	13,509,179	7,212,479	2,276,260
Unconditional	125,000	192,792	192,213
	25,037,602	19,807,350	15,150,031
EXPENSES			
General government services	1,812,450	1,782,740	1,520,137
Electoral area administration	949,364	828,769	168,236
Management of development - rural	512,700	458,669	320,613
Regional planning services	679,328	589,862	233,862
Building inspection services	279,000	234,319	214,971
Park services	265,850	209,786	178,728
Fire protection services	861,100	800,080	853,276
Landfill services	3,445,600	3,363,793	3,269,322
AV water study	6,000	-	6,000
Custom transit	590,000	494,311	468,885
Airport services	1,844,596	2,638,560	1,619,086
Street lighting	2,600	2,441	2,414
Emergency planning	422,355	231,303	147,234
E911 telephone services	309,000	302,489	304,447
Vancouver Island library services	492,000	491,844	453,044
South Long Beach bike path	7,200	7,100	7,179
Grant-in-aid	341,938	312,598	277,680
Noise control	9,300	7,385	4,302
Animal control	9,100	4,568	3,652
Multi-purpose arena contribution	226,902	198,109	198,374
Water systems	1,329,800	1,359,097	1,198,905
Salmon Beach	406,440	308,108	311,277
	14,802,623	14,625,931	11,761,624
ANNUAL SURPLUS	\$ 10,234,979	\$ 5,181,419	\$ 3,388,407

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, 2019

	2019 Budget (Note 18)	2019 Actual	2018 Actual
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 48,662,231	\$ 48,662,231	\$ 45,273,824
ANNUAL SURPLUS	10,234,979	5,181,419	3,388,407
ACCUMULATED SURPLUS - END OF YEAR	\$ 58,897,210	\$ 53,843,650	\$ 48,662,231

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, 2019

	2019 Budget (Note 18)	2019 Actual	2018 Actual
ANNUAL SURPLUS	\$ 10,234,979	\$ 5,181,419	\$ 3,388,407
Use (acquisition) of prepaids	-	15,205	(33,252)
Use (acquisition) of inventory of supplies	-	(5,020)	110,658
Acquisition of tangible capital assets	-	(7,307,323)	(3,540,775)
Amortization	1,566,200	2,097,081	1,563,226
	1,566,200	(5,200,057)	(1,900,143)
CHANGE IN NET FINANCIAL ASSETS	11,801,179	(18,638)	1,488,264
NET FINANCIAL ASSETS - BEGINNING OF YEAR	7,059,663	7,059,663	5,571,399
NET FINANCIAL ASSETS - END OF YEAR	\$ 18,860,842	\$ 7,041,025	\$ 7,059,663

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

Regional District of Alberni-Clayoquot

Statement of Cash Flows

Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	\$ 5,181,419	\$ 3,388,407
Item not affecting cash:		
Amortization of tangible capital assets	2,097,083	1,563,226
Developer contributions of tangible capital assets	-	(739,000)
Contribution to Municipal Finance Authority debt reserve deposit	(3,535)	(6,519)
Landfill closure liability	305,668	262,600
Actuarial adjustments of debt	(15,201)	(9,636)
	7,565,434	4,459,078
Changes in non-cash working capital (Note 12)	(48,815)	(204,662)
	7,516,619	4,254,416
FINANCING ACTIVITIES		
Proceeds from debt	-	492,245
Repayment of debt	(175,997)	(157,676)
	(175,997)	334,569
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(7,307,323)	(2,801,775)
INVESTING ACTIVITIES		
Addition to portfolio investments	(171)	(204)
INCREASE IN CASH FLOW	33,128	1,787,006
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	18,038,352	16,251,346
CASH AND CASH EQUIVALENTS - END OF YEAR	18,071,480	18,038,352
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Bank balances	\$ 18,071,480	\$ 18,038,352

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

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Regional District of Alberni-Clayoquot (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 of the Chartered Professional Accountants of Canada.

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 2019 budget as adopted by the District's Board on March 27, 2019 and as amended on October 9, 2019.

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, when earned and measureable. 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, 2019

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 interest payable on debt to the end of the fiscal period.

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.

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, services performed or tangible capital assets acquired, thereby extinguishing the related liability.

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 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.

Debt

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.

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 to 50 years
Fire department	5 to 50 years
Office and administration	5 to 40 years
Land	not amortized

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tangible capital assets (continued)

Landfills	Projected closures - 2078 and 2093, 10 to 40 years
Parks	5 to 25 years
Salmon beach	10 to 50 years
Water systems	25 years
Beaver Creek water system	5 to 60 years

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.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the District's ability to provide goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

Landfill liability

The liability for closure of operational sites and post-closure care has been recognized based on the present value of estimated future expenses, estimated inflation and the usage of the site's capacity during the year. The change in liability during the year is recorded as a charge to operations.

Measurement uncertainty

The preparation of financial statements in conformity with Public Sector Accounting Standards 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

	2019	2018
Alberni District Co-op Association equity shares	\$ 2,630	\$ 2,459

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2019

3. ACCOUNTS RECEIVABLE

	2019	2018
Trade and other receivables	\$ 500,164	\$ 475,859
Goods and services tax recoverable	101,563	79,729
Government of Canada	551,210	93,499
Province of British Columbia	128,268	412,278
Local governments	129,368	107,022
Subtotal	1,410,573	1,168,387
Less allowance for doubtful accounts	(10,376)	(20,004)
Accounts receivable - net	\$ 1,400,197	\$ 1,148,383

4. TERM RECEIVABLES FROM MUNICIPALITIES

Pursuant to the Local Government Act, the District acts as the agency through which its member municipalities borrow funds from the Municipal Finance Authority of British Columbia ("MFA"). The annual cost of servicing this municipal debt is recovered entirely from the borrowing member municipality. However, in the event of default the District is contingently liable to the MFA for this debt.

	2019	2018
City of Port Alberni	\$ 9,784,994	\$ 10,119,935
District of Tofino	736,984	786,349
District of Ucluelet	1,935,250	2,024,215
Multiplex Arena	265,410	527,220
	\$ 12,722,638	\$ 13,457,719

5. MUNICIPAL FINANCE AUTHORITY DEBT RESERVE FUND

MFA provides capital financing for Regional Districts and their member Municipalities. The MFA 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 MFA to the District. If at any time insufficient funds are provided by the District or member Municipalities, MFA will then use these funds to meet payments on its obligations. When this occurs, the District may be called upon to restore the fund. The balance of the Debt Reserve Fund deposits at December 31, 2019 is \$353,896 (2018 - \$345,841).

As a condition of the borrowing, the District is also obligated to lodge security by means of demand notes based on the amount of the borrowing. The notes, which are contingent in nature, are held by the MFA to act as security against the possibility of debt repayment default and are not recorded in the financial statements. Upon maturity of a debt issue, the demand notes are released. As of December 31, 2019, there are contingent demand notes of \$551,841 (2018 - \$551,841). Of these amounts, \$420,517 (2018 - \$420,517) relate to borrowing of member municipalities.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2019

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.

	2019	2018
Performance deposits	\$ 15,050	\$ 91,397

7. RESTRICTED REVENUES

	2019	2018
Development cost charges	\$ 94,171	\$ 67,278
Parkland deferred contributions	370,379	338,585
	\$ 464,550	\$ 405,863

- (a) The 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 \$25,115 (2019 - \$nil). Interest earned on developer contributions is restricted and deferred; interest earned during the year was \$1,778 (2019 - \$1,234). Developer contributions expended on capital projects during the year was \$nil (2019 - \$nil).
- (b) The 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 \$24,250 (2019 - \$nil). Interest earned on parkland contributions is restricted and deferred; interest earned during the year was \$nil (2019 - \$6,212). Parkland acquired during the year was \$nil (2019 - \$nil).

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2019

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

	2019	2018
Opening balance of unspent funds	\$ 2,895,830	\$ 2,494,682
Add amount received during the year	950,301	488,809
Add interest earned	62,526	48,706
Less eligible expenditures made during the year	(802,012)	(136,367)
Closing balance of unspent funds	\$ 3,106,645	\$ 2,895,830

9. SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE LIABILITY

The District 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% (2018 - 1.46%) per annum to the estimated year of closure. These costs were then discounted to December 31, 2019 using a discount rate of 2.24% (2018 - 2.95%). 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, 2019 is \$3,186,292 (2019 - \$2,880,624). Estimated expenses for closure and post-closure care are \$17,121,625 (2019 - \$17,121,625). The liability remaining to be recognized is \$13,935,333 (2019 - \$14,241,001). It is estimated that the life of the Alberni Valley Landfill is 65 (2018 - 75) years and the West Coast Landfill is 59 (2018 - 60) years.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2019

10. DEBENTURE DEBT

All borrowings for the District are with the 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:

2020	\$	938,510
2021		707,986
2022		728,850
2023		755,661
2024		783,471
Thereafter		<u>15,670,525</u>
	\$	<u>19,585,003</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	2019 Net book value	2018 Net book value
Airport	\$ 22,897,094	\$ 4,493,489	\$ 18,403,605	\$ 13,915,218
Fire department	5,874,816	2,876,835	2,997,981	2,511,190
Office and administration	2,209,469	1,617,728	591,741	622,375
Land	6,271,253	-	6,271,253	6,271,253
Landfills	11,502,818	2,428,178	9,074,640	11,286,003
Parks	724,420	263,494	460,926	624,041
Salmon beach	881,861	388,534	493,327	386,172
Water systems	5,187,869	2,066,857	3,121,012	3,284,114
Beaver Creek water system	8,227,378	3,601,494	4,625,884	4,342,744
Under construction	616,526	-	616,526	703,278
	<u>\$ 64,393,504</u>	<u>\$ 17,736,609</u>	<u>\$ 46,656,895</u>	<u>\$ 43,946,388</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, 2019

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

	2019	2018
Accounts receivable	\$ (251,814)	\$ (299,769)
Inventories for resale	(18,071)	10,133
Inventories of supplies	(5,020)	110,658
Accounts payable and accrued liabilities	175,964	18,965
Deferred revenue	52,582	(42,191)
Prepaid expenses	15,205	(33,252)
Deposits	(76,347)	23,347
Restricted revenues	58,686	7,447
	\$ (48,815)	\$ (204,662)

13. FINANCIAL INSTRUMENTS

For cash, accounts receivable, term receivables from municipalities, debt reserve deposits, 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 receivables from its customers and municipalities. 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 District's investment in shares of the North Island 9-1-1 Corporation is recorded at cost. The District, through approval of the annual budget, is responsible for its share in funding ongoing operations. The 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, 2019

15. RELATED PARTIES

The District is related to the Alberni Clayoquot Regional Hospital District (the "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 District are the corresponding officers and employees of the Hospital District. Each of the 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, \$22,000 of administrative support services from the 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, 2019.

c) PENSION LIABILITY

The 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, 2019, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include 40,000 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, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. The District paid \$220,723 for employer contributions to the plan in fiscal 2019 (2019 - \$159,061). Employees contributed \$199,503 to the plan in fiscal 2019 (2019 - \$141,275). The next valuation will be as at December 31, 2021 with results available in 2022.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2019

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.

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 District, the amounts are recognized as an expense only when a claim is made. As at December 31, 2019 accumulated sick leave amounted to \$505,119 (2019 - \$399,665).

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 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 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, 2019, the District has outstanding commitments to capital projects totaling \$758,669 and operating contracts as follows:

2020	\$ 1,545,737
2021	326,383
2022	86,100
2023	66,000
2024	<u>22,000</u>
	<u>\$ 2,046,220</u>

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2019

17. CONTRACTUAL RIGHTS

The 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:

2020	\$	164,756
2021		117,442
2022		49,088
2023		29,833
2024		26,716
Thereafter		<u>332,619</u>
	\$	<u>720,454</u>

18. BUDGET RECONCILIATION

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 27, 2019 and as amended on October 9, 2019. 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 2019 budgeted annual surplus

Consolidated financial plan balanced cash budget as approved March 27, 2019	\$	17,820
Add transfers to reserves		14,635,769
Add principal debt payments		176,576
Less surplus from prior years		(2,209,988)
Less committed surplus from prior years		(818,998)
Less amortization		<u>(1,566,200)</u>
Accrual budgeted annual surplus	\$	<u>10,234,979</u>

19. CONTAMINATED SITES

During 2019, 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. SUBSEQUENT EVENT

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the District are not known at this time.

Regional District of Alberni-Clayoquot
Schedule of Debenture Debt
Year Ended December 31, 2019

(Schedule 1)

	By-law	MFA Issue	Maturity date	Term	Rate	Amount Borrowed	Total Instalments to date	Actuarial addition	2019 Balance	2018 Balance
Arena F1027	F1037	73	01 Dec 2020	20	1.67%	\$ 3,579,209	\$ 2,160,680	\$ 1,163,077	\$ 255,452	\$ 512,508
Arena F1027	F1041	75	01 Dec 2021	20	1.75%	68,332	37,198	21,177	9,957	14,712
Port Alberni F1062	1062	97	19 Apr 2031	25	1.75%	3,375,064	1,053,545	331,625	1,989,894	2,123,181
Port Alberni F1111	1111	130	14 Oct 2044	30	3.00%	5,750,000	512,615	47,417	5,189,968	5,310,918
Port Alberni F1114	F1114	131	08 Apr 2035	20	2.20%	912,000	128,997	10,403	772,600	809,262
Port Alberni F1114	F1114	131	08 Apr 2045	30	2.20%	2,000,000	154,970	12,497	1,832,533	1,876,575
Salmon Beach F1079	F1096	117	12 Oct 2031	20	3.25%	939,800	252,481	40,864	646,455	688,343
Tofino F1062	1062	97	19 Apr 2031	25	1.75%	1,250,000	390,195	122,821	736,984	786,350
Ucluelet F1074	F1095	117	12 Oct 2036	25	3.25%	1,948,000	374,203	60,564	1,513,233	1,575,316
Ucluelet F1130	F1130	141	07 Apr 2032	15	2.80%	475,000	51,078	1,905	422,017	448,898
AVRA F1120	F1120	142	04 Oct 2047	30	3.15%	6,000,000	252,231	5,630	5,742,139	5,872,972
BWS F1126	F1126	146	19 Sep 2038	20	3.20%	492,245	18,319	155	473,771	492,245
									\$ 19,585,003	\$ 20,511,280

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, 2019

(Schedule 2)

	Cost				Accumulated Amortization					2019	2018
	Opening Balance	Acquisitions	Transfers	Disposals	Closing Balance	Opening Balance	Amortization	Disposals	Closing Balance	Net Book Value	Net Book Value
Airport	\$ 17,176,423	\$ 5,621,087	\$ 99,584	\$ -	\$ 22,897,094	\$ (3,261,205)	\$ (1,232,284)	\$ -	\$ (4,493,489)	\$ 18,403,605	\$ 13,915,218
Fire department	5,249,553	658,807	21,732	(55,276)	5,874,816	(2,738,364)	(193,749)	55,278	(2,876,835)	2,997,981	2,511,189
Office and administration	2,208,431	30,964	-	(29,926)	2,209,469	(1,586,056)	(61,598)	29,926	(1,617,728)	591,741	622,375
Land	6,271,253	-	-	-	6,271,253	-	-	-	-	6,271,253	6,271,253
Landfills	11,286,003	312,858	(96,043)	-	11,502,818	(2,260,719)	(167,459)	-	(2,428,178)	9,074,640	9,025,284
Parks	624,041	44,800	55,579	-	724,420	(239,015)	(24,479)	-	(263,494)	460,926	385,026
Salmon beach	742,938	133,023	5,900	-	881,861	(356,766)	(31,768)	-	(388,534)	493,327	386,172
Water systems	5,150,413	37,456	-	-	5,187,869	(1,866,299)	(200,557)	-	(2,066,856)	3,121,013	3,284,114
Beaver Creek water system	7,759,050	468,328	-	-	8,227,378	(3,416,306)	(185,189)	-	(3,601,495)	4,625,883	4,342,744
Under construction	703,278	-	(86,752)	-	616,526	-	-	-	-	616,526	703,278
	\$ 57,171,383	\$ 7,307,323	\$ -	\$ (85,202)	\$ 64,393,504	\$ (15,724,730)	\$ (2,097,083)	\$ 85,204	\$ (17,736,609)	\$ 46,656,895	\$ 41,446,653

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