

Regional District of Alberni-Clayoquot
Financial Statements
Year Ended December 31, 2020

Regional District of Alberni-Clayoquot
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Year Ended December 31, 2020

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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, 2020
- 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, 2020, 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 16, 2021

Regional District of Alberni-Clayoquot
Statement of Financial Position
Year Ended December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 20,130,004	\$ 18,071,480
Portfolio investments (Note 2)	3,152	2,630
Accounts receivable (Note 3)	950,333	1,400,197
Term receivables from municipalities (Note 4)	16,420,277	12,722,638
Municipal Finance Authority debt reserve deposit (Note 5)	330,785	353,896
Inventories for resale	39,781	65,012
	37,874,332	32,615,853
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,248,561	1,791,314
Deferred revenue	743,273	260,437
Deposits (Note 6)	15,050	15,050
Restricted revenues (Note 7)	513,485	464,550
Landfill closure liability (Note 9)	3,459,491	3,186,292
Municipal Finance Authority debt reserve	321,415	272,182
Debt (Note 10, Schedule 1)	23,085,266	19,585,003
	29,386,541	25,574,828
NET FINANCIAL ASSETS	8,487,791	7,041,025
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11, Schedule 2)	46,886,522	46,656,895
Inventories of supplies	89,899	74,183
Prepaid expenses	59,118	71,547
	47,035,539	46,802,625
ACCUMULATED SURPLUS	\$ 55,523,330	\$ 53,843,650

Contingent liabilities and commitments (Notes 4, 5, 14 and 16)

Contractual rights (Note 17)



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, 2020

	2020 Budget (Note 18)	2020 Actual	2019 Actual
REVENUE			
Tax requisitions	\$ 7,000,155	\$ 6,999,904	\$ 6,564,227
Grants in lieu of taxes	30,500	121,000	106,299
Services provided to other governments	41,100	51,319	44,430
Sales of services	4,123,397	4,985,262	4,480,497
Miscellaneous revenue	959,300	1,052,813	1,206,626
Government transfers			
Conditional	6,318,596	1,251,871	7,212,479
Unconditional	125,000	677,792	192,792
	18,598,048	15,139,961	19,807,350
EXPENSES			
General government services	1,935,600	1,596,604	1,782,740
Electoral area administration	187,377	84,264	828,769
Management of development - rural	634,304	539,458	458,669
Regional planning services	217,100	198,728	589,862
Building inspection services	282,000	236,591	234,319
Park services	335,513	215,818	209,786
Fire protection services	883,950	929,551	800,080
Landfill services	3,881,100	3,752,282	3,363,793
AV water study	6,000	-	-
Custom transit	625,000	423,178	494,311
Airport services	2,263,812	2,155,161	2,638,560
Street lighting	2,664	2,427	2,441
Emergency planning	563,700	340,592	231,303
E911 telephone services	325,000	324,983	302,489
Vancouver Island library services	494,000	493,307	491,844
South Long Beach bike path	7,262	7,100	7,100
Grant-in-aid	316,700	289,200	312,598
Noise control	10,300	8,511	7,385
Animal control	9,100	5,552	4,568
Multi-purpose arena contribution	210,902	179,070	198,109
Water systems	1,402,271	1,366,450	1,359,097
Salmon Beach	425,240	311,454	308,108
	15,018,895	13,460,281	14,625,931
ANNUAL SURPLUS	\$ 3,579,153	\$ 1,679,680	\$ 5,181,419

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, 2020

	2020 Budget (Note 18)	2020 Actual	2019 Actual
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 53,843,650	\$ 53,843,650	\$ 48,662,231
ANNUAL SURPLUS	3,579,153	1,679,680	5,181,419
ACCUMULATED SURPLUS - END OF YEAR	\$ 57,422,803	\$ 55,523,330	\$ 53,843,650

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, 2020

	2020 Budget (Note 18)	2020 Actual	2019 Actual
ANNUAL SURPLUS	\$ 3,579,153	\$ 1,679,680	\$ 5,181,419
Use (acquisition) of prepaids	-	12,429	15,205
Use (acquisition) of inventory of supplies	-	(15,716)	(5,020)
Developer contributions of tangible capital assets	-	(10,676)	-
Loss on disposal of tangible capital assets	-	24,041	-
Acquisition of tangible capital assets	-	(2,444,052)	(7,307,323)
Amortization	2,071,200	2,201,060	2,097,081
	2,071,200	(232,914)	(5,200,057)
CHANGE IN NET FINANCIAL ASSETS	5,650,353	1,446,766	(18,638)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	7,041,025	7,041,025	7,059,663
NET FINANCIAL ASSETS - END OF YEAR	\$ 12,691,378	\$ 8,487,791	\$ 7,041,025

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

Regional District of Alberni-Clayoquot

Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual surplus	\$ 1,679,680	\$ 5,181,419
Item not affecting cash:		
Amortization of tangible capital assets	2,201,060	2,097,083
Loss on disposal of tangible capital assets	24,041	-
Developer contributions of tangible capital assets	(10,676)	-
Proceeds from (contribution to) Municipal Finance Authority debt reserve deposit	72,344	(3,535)
Landfill closure liability	273,199	305,668
Actuarial adjustments of debt	(21,381)	(15,201)
	4,218,267	7,565,434
Changes in non-cash working capital (Note 12)	460,826	(48,815)
	4,679,093	7,516,619
FINANCING ACTIVITIES		
Term receivables from municipalities	(4,450,000)	-
Proceeds from debt	4,450,000	-
Repayment of debt	(175,995)	(175,997)
	(175,995)	(175,997)
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(2,444,052)	(7,307,323)
INVESTING ACTIVITIES		
Addition to portfolio investments	(522)	(171)
INCREASE IN CASH FLOW	2,058,524	33,128
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	18,071,480	18,038,352
CASH AND CASH EQUIVALENTS - END OF YEAR	20,130,004	18,071,480
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Bank balances	\$ 20,130,004	\$ 18,071,480

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

Regional District of Alberni-Clayoquot
Notes to Financial Statements
Year Ended December 31, 2020

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 2020 budget as adopted by the District's Board on March 31, 2020.

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

Inventories for resale - Fuel inventory is valued at the lower of cost or net realizable value.

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 measurable. 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, 2020

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

Government transfers without stipulations 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. Government transfers with stipulations restricting their use are recognized in the financial statements as revenues in the period in which the eligible expenditures are incurred, providing they are authorized and eligibility criteria are met.

Deferred and restricted revenues

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.

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

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2020

1. Summary of Significant Accounting Policies (continued)

Tangible capital assets (continued)

Office and administration	5 to 40 years
Land	not amortized
Landfills	Projected closures - 2070 and 2091, 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. TCA's contributed to the Regional District are recorded at fair value at the time of contribution.

TCA's 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. Key areas requiring the use of estimates include the amortization of tangible capital assets and landfill closure obligations.

Beginning March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and general reduction in operational activities. While these effects are expected to be temporary, the duration of the disruption and related financial impact cannot be reasonably estimated at this time. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty as compared to prior periods.

Regional District of Alberni-Clayoquot
Notes to Financial Statements
Year Ended December 31, 2020

2. Portfolio investments

	2020	2019
Alberni District Co-op Association equity shares	\$ 3,152	\$ 2,630

3. Accounts Receivable

	2020	2019
Trade and other receivables	\$ 525,137	\$ 500,163
Goods and services tax recoverable	3,906	101,563
Government of Canada	50,225	551,210
Province of British Columbia	314,400	128,268
Local governments	105,527	129,368
Subtotal	999,195	1,410,572
Less allowance for doubtful accounts	(48,862)	(10,375)
Accounts receivable - net	\$ 950,333	\$ 1,400,197

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.

	2020	2019
City of Port Alberni	\$ 13,886,779	\$ 9,784,994
District of Tofino	685,566	736,984
District of Ucluelet	1,842,969	1,935,250
Multiplex Arena	4,963	265,410
	\$ 16,420,277	\$ 12,722,638

Regional District of Alberni-Clayoquot
Notes to Financial Statements
Year Ended December 31, 2020

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 District's Debt Reserve Fund deposits at December 31, 2020 is \$330,785 (2019 - \$353,896).

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, 2020, there are contingent demand notes of \$473,950 (2019 - \$551,841). Of these amounts, \$342,625 (2019 - \$420,517) relate to borrowing of member municipalities.

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.

	2020	2019
Performance deposits	\$ 15,050	\$ 15,050

7. Restricted Revenues

	2020	2019
Development cost charges	\$ 139,322	\$ 94,171
Parkland deferred contributions	374,163	370,378
	\$ 513,485	\$ 464,549

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 \$44,414 (2019 - \$25,115). Interest earned on developer contributions is restricted and deferred; interest earned during the year was \$737 (2019 - \$1,778). Developer contributions expended on capital projects during the year was \$nil (2019 - \$nil).

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2020

7. Restricted Revenues (continued)

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 \$nil (2019 - \$24,250). Interest earned on parkland contributions is restricted and deferred; interest earned during the year was \$3,784 (2019 - \$7,544). Parkland acquired during the year was \$nil (2019 - \$nil).

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:

	2020	2019
Opening balance of unspent funds	\$ 3,106,645	\$ 2,895,830
Add amount received during the year	461,674	950,301
Add interest earned	30,840	62,526
Less eligible expenditures made during the year	(507,385)	(802,012)
Closing balance of unspent funds	\$ 3,091,774	\$ 3,106,645

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 prepared by an external specialist and inflation adjusted at 1.58% (2019 - 1.46%) per annum to the estimated year of closure. These costs were then discounted to December 31, 2020 using a discount rate of 2.29% (2019 - 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, 2020 is \$3,459,491 (2019 - \$3,186,292). Estimated expenses for closure and post-closure care are \$17,121,625 (2019 - \$17,121,625). The liability remaining to be recognized is \$13,662,134 (2019 - \$13,935,333). It is estimated that the life of the Alberni Valley Landfill is 71 (2019 - 65) years and the West Coast Landfill is 50 (2019 - 59) years.

Regional District of Alberni-Clayoquot
Notes to Financial Statements
Year Ended December 31, 2020

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 due within the next five years and thereafter are as follows:

2021	\$	817,658
2022		840,736
2023		869,784
2024		899,877
2025		931,053
Thereafter		<u>18,726,158</u>
	\$	<u>23,085,266</u>

Principal payments are invested by MFA and earn income which is expected to be sufficient to retire the debt at maturity.

11. Tangible Capital Assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Airport	\$ 23,312,175	\$ 5,801,281	\$ 17,510,894	\$ 18,403,605
Fire department	6,637,199	3,093,494	3,543,705	2,997,981
Office and administration	2,314,971	1,695,847	619,124	591,741
Land	6,271,253	-	6,271,253	6,271,253
Landfills	11,711,805	2,598,575	9,113,230	9,074,640
Parks	724,421	311,707	412,714	460,926
Salmon beach	909,612	422,690	486,922	493,327
Water systems	5,208,749	2,208,462	3,000,287	3,121,012
Beaver Creek water system	9,192,264	3,820,151	5,372,113	4,625,884
Under construction	556,280	-	556,280	616,526
	\$ 66,838,729	\$ 19,952,207	\$ 46,886,522	\$ 46,656,895

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.

During 2020, the ACRD evaluated all sites for which an environmental standard exists and for which it is directly responsible, and has concluded that no contamination exists that exceeds an environmental standard. Accordingly, no amount has been accrued in the financial statements as a liability for contaminated sites.

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2020

12. Change in Non Cash Working Capital and Cash Flow Supplementary Information

	2020	2019
Accounts receivable	\$ 449,864	\$ (251,814)
Inventories for resale	25,231	(18,071)
Inventories of supplies	(15,716)	(5,020)
Accounts payable and accrued liabilities	(542,753)	175,964
Deferred revenue	482,836	52,582
Prepaid expenses	12,429	15,205
Deposits	-	(76,347)
Restricted revenues	48,935	58,686
	\$ 460,826	\$ (48,815)

13. Financial Instruments

For cash, accounts receivable, term receivables from municipalities, debt reserve deposits, accounts payable and accrued liabilities and deposits, 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, 2020

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, \$25,000 (2019 - \$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, 2020.

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 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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 \$238,521 for employer contributions to the plan in fiscal 2020 (2019 - \$220,723). Employees contributed \$214,212 to the plan in fiscal 2020 (2019 - \$199,503). 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, 2020

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, 2020 accumulated sick leave amounted to \$564,664 (2019 - \$505,119).

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, 2020, the District has outstanding commitments for operating contracts as follows:

2021	\$	1,661,747
2022		1,125,452
2023		1,123,532
2024		1,075,532
2025		<u>687,040</u>
		<u>\$5,673,303</u>

Regional District of Alberni-Clayoquot

Notes to Financial Statements

Year Ended December 31, 2020

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:

2021	\$	155,657
2022		141,220
2023		85,077
2024		51,531
2025		27,340
Thereafter		<u>306,273</u>
	\$	<u>767,098</u>

18. Budget Reconciliation

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 31, 2020. 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 2020 budgeted annual surplus

Add transfers to reserves	\$	7,561,291
Add principal debt payments		176,460
Less surplus from prior years		(1,910,757)
Less committed surplus from prior years		(176,641)
Less amortization		<u>(2,071,200)</u>
Accrual budgeted annual surplus	\$	<u>3,579,153</u>

Regional District of Alberni-Clayoquot
Schedule of Debenture Debt
Year Ended December 31, 2020

(Schedule 1)

	By-law	MFA Issue	Maturity date	Term	Rate	Amount Borrowed	Total Instalments to date	Actuarial addition	2020 Balance	2019 Balance
Arena F1027	F1037	73	01 Dec 2020	20	1.67%	\$ 3,579,209	\$ 2,279,328	\$ 1,299,881	\$ -	\$ 255,452
Arena F1027	F1041	75	01 Dec 2021	20	1.75%	68,332	39,264	24,105	4,963	9,957
Port Alberni F1062	1062	97	19 Apr 2031	25	1.75%	3,375,064	1,134,587	389,413	1,851,064	1,989,894
Port Alberni F1111	1111	130	14 Oct 2044	30	3.00%	5,750,000	615,138	70,708	5,064,154	5,189,968
Port Alberni F1114	F1114	131	08 Apr 2035	20	2.20%	912,000	161,246	16,118	734,636	772,600
Port Alberni F1114	F1114	131	08 Apr 2045	30	2.20%	2,000,000	193,713	19,362	1,786,925	1,832,533
Port Alberni F1143	F1143	150	09 Apr 2050	30	1.99%	4,450,000	-	-	4,450,000	-
Salmon Beach F1079	F1096	117	12 Oct 2031	20	3.25%	939,800	284,042	52,881	602,877	646,455
Tofino F1062	1062	97	19 Apr 2031	25	1.75%	1,250,000	420,209	144,224	685,567	736,984
Ucluelet F1074	F1095	117	12 Oct 2036	25	3.25%	1,948,000	420,978	78,376	1,448,646	1,513,233
Ucluelet F1130	F1130	141	07 Apr 2032	15	2.80%	475,000	76,618	4,060	394,322	422,017
AVRA F1120	F1120	142	04 Oct 2047	30	3.15%	6,000,000	378,347	14,283	5,607,370	5,742,139
BWS F1126	F1126	146	19 Sep 2038	20	3.20%	492,245	36,639	864	454,742	473,771
									\$ 23,085,266	\$ 19,585,003

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, 2020

(Schedule 2)

	Cost				Accumulated Amortization					2020	2019
	Opening Balance	Acquisitions	Transfers	Disposals	Closing Balance	Opening Balance	Amortization	Disposals	Closing Balance	Net Book Value	Net Book Value
Airport	\$ 22,897,094	\$ 361,395	\$ 53,686	\$ -	\$ 23,312,175	\$ (4,493,489)	\$ (1,307,792)	\$ -	\$ (5,801,281)	\$ 17,510,894	\$ 18,403,605
Fire department	5,874,816	762,382	-	-	6,637,198	(2,876,835)	(216,658)	-	(3,093,493)	3,543,705	2,997,981
Office and administration	2,209,469	105,502	-	-	2,314,971	(1,617,728)	(78,119)	-	(1,695,847)	619,124	591,741
Land	6,271,253	-	-	-	6,271,253	-	-	-	-	6,271,253	6,271,253
Landfills	11,502,818	152,015	56,971	-	11,711,804	(2,428,178)	(170,396)	-	(2,598,574)	9,113,230	9,074,640
Parks	724,420	31,197	(31,196)	(24,041)	700,380	(263,494)	(24,172)	-	(287,666)	412,714	460,926
Salmon beach	881,861	44,422	(16,671)	-	909,612	(388,534)	(34,156)	-	(422,690)	486,922	493,327
Water systems	5,187,869	23,424	(2,544)	-	5,208,749	(2,066,856)	(141,606)	-	(2,208,462)	3,000,287	3,121,012
Beaver Creek water system	8,227,378	974,391	-	(9,505)	9,192,264	(3,601,495)	(228,161)	9,505	(3,820,151)	5,372,113	4,625,884
Under construction	616,526	-	(60,246)	-	556,280	-	-	-	-	556,280	616,526
	\$ 64,393,504	\$ 2,454,728	\$ -	\$ (33,546)	\$ 66,814,686	\$ (17,736,609)	\$ (2,201,060)	\$ 9,505	\$ (19,928,164)	\$ 46,886,522	\$ 46,656,895

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

Regional District of Alberni-Clayoquot
Unaudited Schedule – COVID-19 Safe Restart Grant
Year Ended December 31, 2020

(Schedule 3)

In November 2020, the Province of British Columbia announced a funding stream called “COVID-19 Safe Restart Grants for Local Governments”. The District received \$485,000 of funds at that time to assist with increased operating costs and lower revenue due to COVID-19. The following outlines how the funds were allocated to various regional and local services during the year:

Safe Restart Grant received November 2020	\$485,000
Eligible costs incurred:	
Airport services	(94,399)
Community services	(10,897)
General administration services	(56,706)
Planning and development services	(22,134)
Protective services	(36,664)
Total eligible costs incurred during 2020	(220,800)
Balance, December 31, 2020	264,200

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