

PORT ALBERNI PORT AUTHORITY

PORT ALBERNI, BC

FINANCIAL STATEMENTS

DECEMBER 31, 2010



*R. LACOURSIERE LTD.*  
CHARTERED ACCOUNTANT

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R. Lacoursiere, B. Comm., C.A.

AUDITORS' REPORT

To the Chairman and Directors of  
Port Alberni Port Authority  
Port Alberni, BC

We have audited the statement of financial position of Port Alberni Port Authority as at December 31, 2010 and the statements of changes in net assets, revenue and expenses, and cash flow for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally-accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Port Alberni Port Authority as at December 31, 2010 and the results of the operations and cash flow for the year then ended in accordance with Canadian generally-accepted accounting principles applied on a basis consistent with that of the preceding year.

*R. Lacoursiere Ltd.*

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Chartered Accountants

Port Alberni, BC  
March 11, 2011

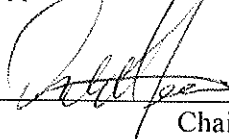
PORT ALBERNI PORT AUTHORITY  
STATEMENT OF FINANCIAL POSITION

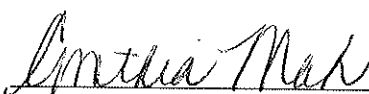
STATEMENT A

DECEMBER 31, 2010

ASSETS	2010	2009
<b>CURRENT ASSETS</b>		
Cash and short-term investments (note 4)	\$ 7,068,885	\$ 8,098,377
Accounts receivable	444,617	493,374
Inventory (note 3)	11,550	12,143
Prepaid expense	<u>88,510</u>	<u>61,035</u>
	<u>7,613,562</u>	<u>8,664,929</u>
<b>PROPERTY AND EQUIPMENT</b>		
At cost - (note 3 and note 10)	27,109,541	24,908,766
Less accumulated amortization	<u>20,726,148</u>	<u>20,095,484</u>
	<u>6,383,393</u>	<u>4,813,282</u>
	<u>\$ 13,996,955</u>	<u>\$ 13,478,211</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable - trade	\$ 776,171	\$ 388,936
Unearned lease revenue - (note 3)	<u>20,840</u>	<u>101,441</u>
	<u>797,011</u>	<u>490,377</u>
RESERVE FOR SELF INSURANCE (note 5)	<u>110,000</u>	<u>110,000</u>
NET ASSETS - statement B	<u>13,089,944</u>	<u>12,877,834</u>
	<u>\$ 13,996,955</u>	<u>\$ 13,478,211</u>

Approved on behalf of the Port Authority

  
 \_\_\_\_\_  
 Chairman

  
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 Treasurer

PORT ALBERNI PORT AUTHORITY  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2010

STATEMENT B

	2010	2009
<b>CONTRIBUTED SURPLUS</b>		
Balance, beginning of year	\$ 3,726,305	\$ 3,726,305
Contributions	<u>421,354</u>	<u>-</u>
Balance, end of year	<u>4,147,659</u>	<u>3,726,305</u>
 <b>RETAINED REVENUES</b>		
Balance, beginning of year	1,451,529	1,885,203
Excess (deficiency) of revenue over expenses	(209,244)	66,326
Allocation (to) from reserve	<u>1,280,000</u>	<u>(500,000)</u>
Balance, end of year	<u>2,522,285</u>	<u>1,451,529</u>
 <b>RESERVE FOR HARBOUR MAINTENANCE AND DEVELOPMENT</b>		
Balance, beginning of year	7,700,000	7,200,000
Allocation (to) from retained revenues	<u>(1,280,000)</u>	<u>500,000</u>
Balance, end of year (note 6)	<u>6,420,000</u>	<u>7,700,000</u>
 TOTAL - statement A	 <u>\$ 13,089,944</u>	 <u>\$ 12,877,834</u>

PORT ALBERNI PORT AUTHORITY  
STATEMENT OF REVENUE AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

STATEMENT C

	2010	2009
<b>REVENUE</b>		
Operations	\$ 4,097,816	\$ 4,016,999
Investment income	<u>264,262</u>	<u>249,006</u>
	4,362,078	4,266,005
Gross revenue charge	<u>87,241</u>	<u>85,283</u>
	<u>4,274,837</u>	<u>4,180,722</u>
<b>EXPENSES</b>		
Amortization	650,799	600,460
Supplies, services and maintenance	2,541,066	2,192,970
Wages and benefits	<u>1,292,284</u>	<u>1,313,439</u>
	<u>4,484,149</u>	<u>4,106,869</u>
<b>OPERATING INCOME (DEFICIENCY)</b>	(209,312)	73,853
Gain on disposal of asset	175	2,598
Unrealized gain (loss) on foreign exchange	<u>(107)</u>	<u>(10,126)</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ (209,244)</u>	<u>\$ 66,325</u>

PORT ALBERNI PORT AUTHORITY

STATEMENT OF CASH FLOW

STATEMENT D

FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ (209,244)	\$ 66,325
Items not involving cash:		
Amortization	650,799	600,460
Gain on disposal of assets	<u>(175)</u>	<u>(2,598)</u>
	441,380	664,187
Net change in non-cash working capital balances	<u>328,508</u>	<u>(150,604)</u>
	<u>769,888</u>	<u>513,583</u>
<b>FINANCING ACTIVITIES</b>		
Contributions - City of Port Alberni	66,354	-
- Fisheries and Oceans / Small Craft Harbours	<u>355,000</u>	<u>-</u>
	<u>421,354</u>	<u>-</u>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(2,220,908)	(139,036)
Proceeds from sale of equipment	<u>175</u>	<u>8,203</u>
	<u>(2,220,733)</u>	<u>(130,833)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(1,029,491)	382,750
<b>CASH AND EQUIVALENTS, beginning of year</b>	<u>8,098,376</u>	<u>7,715,626</u>
<b>CASH AND EQUIVALENTS, end of year</b>	<u>\$ 7,068,885</u>	<u>\$ 8,098,376</u>

PORT ALBERNI PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1 BUSINESS OPERATIONS

The Port Alberni Port Authority generates revenue through a variety of operations including deep-sea shipping port, marina management, and property leases.

NOTE 2 LETTERS PATENT - CANADA MARINE ACT

On July 1, 1999, the Port Alberni Port Authority, under the *Canada Marine Act*, received Letters Patent. This authorized them to operate as a Canadian port under the rules and regulations of the *Canada Marine Act*.

As per the Letters Patent, the Port Authority shall pay annually a gross revenue charge to the Ministry of Transport to maintain the Letters Patent in good standing. The gross revenue charge for the Port Authority is 2% of calculated gross revenue to \$10,000,000. Increased rates will apply for higher gross revenues.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The Port Authority presents its financial statements in accordance with Canadian generally-accepted accounting principles and regulations per the Canada Marine Act.

Inventory is stated at the lower of cost or net realizable value.

Property and equipment are recorded at cost and amortized on a straight-line basis over the estimated useful life of the assets. The rates of amortization vary from 2.5% to 20% per annum.

Government grants, received for asset additions from equity position contributors, are recorded as contributed surplus.

Revenue from moorage and camping are recognized when invoiced, some when payment received, subject to cancellation policies for early termination. Revenue from leases is recognized into revenue over the life of the lease. Unrecognized revenue is recorded as unearned lease revenue. All other revenue is recognized when earned.

The preparation of the financial statements of the Port Authority in accordance 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 revenue and expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the fair value of financial instruments, the determination of the collectibility of accounts receivable, the liability of unearned revenues, and provisions for contingencies and obligations. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

PORT ALBERNI PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES cont'd

In 2008, the Canadian Accounting Standards Board confirmed its' plan to harmonize Canadian generally-accepted accounting principles (GAAP) with International Financial Reporting Standards (IFRS). The Port Alberni Port Authority, in accordance with the *Canada Marine Act* will be preparing annual financial statements in accordance with IFRS for the period commencing January 1, 2011. The Port Alberni Port Authority has undertaken steps to implement and evaluate the financial impact of the transition to IFRS from Canadian GAAP. The nature of the changes required to the financial statements are not readily determinable at this time.

NOTE 4 CASH AND SHORT-TERM INVESTMENTS

The Port Authority's cash and short-term investments are held with commercial banks and investment members in fixed and guaranteed income securities as required by the *Canada Marine Act* per port authorities management regulation.

NOTE 5 RESERVE FOR SELF INSURANCE

The Port Authority has set aside funds in the amount of \$110,000 for self-insurance of its small equipment and harbour vehicles with a value of \$10,000 or less. The funds are included in the account "cash and short-term investments" on the statement of financial position.

NOTE 6 RESERVE FOR HARBOUR MAINTENANCE AND DEVELOPMENT

The Port Authority has appropriated net assets, under the title "harbour maintenance and development", in the amount of \$6,420,000 ( 2009 \$7,700,000 ) for future upgrading and development of the port terminals, marinas, and harbour.

NOTE 7 MUNICIPAL ACCORD - CITY OF PORT ALBERNI

The Port Authority has an accord with the City of Port Alberni. This accord provides for the payment of \$95,000 per year to the City of Port Alberni for the purpose of enhancing and developing projects of common interests for the benefit of the community. This accord is in effect up to and including the calendar year 2012.



PORT ALBERNI PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 8 LEASE AGREEMENTS

The Port Authority has a long-term Head Lease with the Province of British Columbia for the management of Provincial property in and along the Alberni Inlet. The present lease agreement originated on January 1, 1986 with a term to December 31, 2023. In the five year term to December 31, 2010 the revenue allocation was 50% to the Port Authority. If the Province doesn't give notice of a rate change, the revenue rate allocation for the term to December 31, 2015 will be 50% to the Port Authority.

The Port Authority renewed the long-term lease, for a term to December 31, 2029, with the Regional District of Alberni-Clayoquot for the operation of a campground. Annual rent equivalent of 2.4% of the camping revenue is payable each year to the Regional District. A new rent rate to be negotiated at the beginning of the year 2021. The lease has a cancellation clause of one year for the Port Authority and five years for the Regional District.

The Port Authority has a lease with the City of Port Alberni for Clutesi Haven Marina properties. The term of the lease is to December 31, 2014 with an option to renew for a further 21 years. The rent is \$1 per year and subject to negotiation by mutual agreement for each five year period which commenced January 1, 2009.

The Port Authority has a long-term lease with the Province of British Columbia for the marina lands at China Creek Marina. The term of the lease is to January 31, 2025. The annual fee for use is 4% of the potential gross income from moorage.

NOTE 9 LOAN APPROVAL

During the year the Port Authority obtained approval from a commercial bank to borrow up to \$1 million, providing the equivalent amount of investments are pledged as security. The rate of interest to be commercial bank prime. There was no balance payable at year end.

NOTE 10 DEPOSIT - PENDING PURCHASE

During the year the Port Authority paid non-refundable deposits in the amount of \$50,000 towards the possible purchase of pontoons costing \$1,625,000 plus applicable taxes. The purchase is subject to due diligence feasibility reports from consulting engineers engaged by the Port Authority.

PORT ALBERNI PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 11 FINANCIAL INSTRUMENTS

Financial instruments are financial assets or liabilities. The Port Authority's financial instruments consist of cash and short-term investments, accounts receivable, and accounts payable and accrued liabilities. The carrying amounts of these financial instruments approximate their fair value due to their short-term maturity or capacity of prompt liquidation.

NOTE 12 FINANCIAL AND FOREIGN EXCHANGE RISK

The financial and foreign exchange risk is the risk to the Port Authority's earnings that arise from fluctuations in interest rates, market rates, foreign exchange and the degree of volatility of these rates.

NOTE 13 CREDIT RISK

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Port Authority is exposed to credit risk from its customers. However, management has credit policies which include the analysis of the financial position of its customers and regular review of their credit limits, and management does not consider credit risk to be material.

NOTE 14 DIRECTORS AND PORT MANAGER/CEO REMUNERATION DURING 2010

Directors	K. Barlow	\$ 9,000
	G. Blake	9,000
	G. Brett	9,000
	D. Deluca	9,000
	D. Ferster	11,000
	R. Kanngiesser	7,032
	D. St. Jacques	4,500
	G. Trumper	9,000
Port Manager/CEO	B. Madelung	140,228