

PORT ALBERNI PORT AUTHORITY

PORT ALBERNI, BC

FINANCIAL STATEMENTS

DECEMBER 31, 2007



R. Lacoursiere Ltd.

CHARTERED ACCOUNTANT

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R. L. 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, 2007 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, 2007 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.

Chartered Accountants

Port Alberni, BC
March 10, 2008

PORT ALBERNI PORT AUTHORITY
STATEMENT OF FINANCIAL POSITION

STATEMENT "A"

DECEMBER 31, 2007

ASSETS	2007	2006
CURRENT ASSETS		
Cash and short term investments (note 4)	\$ 7,699,235	\$ 7,578,633
Accounts receivable	189,177	315,043
Prepaid expense	<u>69,620</u>	<u>43,289</u>
	<u>7,958,032</u>	<u>7,936,965</u>
PROPERTY AND EQUIPMENT		
At cost - (note 3)	24,770,901	24,188,510
Less accumulated amortization	<u>18,865,896</u>	<u>18,236,712</u>
	<u>5,905,005</u>	<u>5,951,798</u>
	<u>\$ 13,863,037</u>	<u>\$ 13,888,763</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 452,188	\$ 399,623
Unearned lease revenue - (note 3)	<u>126,385</u>	<u>97,569</u>
	<u>578,573</u>	<u>497,192</u>
RESERVE FOR SELF INSURANCE (note 5)	<u>110,000</u>	<u>110,000</u>
NET ASSETS - statement "B"	<u>13,174,464</u>	<u>13,281,571</u>
	<u>\$ 13,863,037</u>	<u>\$ 13,888,763</u>

Approved on behalf of the Authority

Chairman

Treasurer

R. Lacoursiere Ltd.
CHARTERED ACCOUNTANT

PORT ALBERNI PORT AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

STATEMENT "B"

	2007	2006
CONTRIBUTED SURPLUS		
Balance, beginning of year	\$ 3,512,290	\$ 3,373,167
Contributions	<u>214,015</u>	<u>139,123</u>
Balance, end of year	<u>3,726,305</u>	<u>3,512,290</u>
RETAINED REVENUES		
Balance, beginning of year	2,619,281	2,971,735
Excess (deficiency) of revenue over expenses	(321,122)	(152,454)
Allocation (to) from reserve	<u>100,000</u>	<u>(200,000)</u>
Balance, end of year	<u>2,398,159</u>	<u>2,619,281</u>
RESERVE FOR HARBOUR MAINTENANCE AND DEVELOPMENT		
Balance beginning of year	7,150,000	6,950,000
Allocation (to) from retained revenues	<u>(100,000)</u>	<u>200,000</u>
Balance, end of year	<u>7,050,000</u>	<u>7,150,000</u>
TOTAL - statement "A"	<u><u>\$ 13,174,464</u></u>	<u><u>\$ 13,281,571</u></u>

PORT ALBERNI PORT AUTHORITY
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

STATEMENT "C"

	2007	2006
REVENUE		
Operations	\$ 2,939,107	\$ 3,238,710
Investment income	<u>293,652</u>	<u>256,544</u>
	3,232,759	3,495,254
Gross revenue charge	<u>64,655</u>	<u>68,929</u>
	<u>3,168,104</u>	<u>3,426,325</u>
EXPENSES		
Amortization	655,279	592,313
Supplies, services and maintenance	1,725,793	1,852,219
Wages and benefits	<u>1,113,154</u>	<u>1,134,247</u>
	<u>3,494,226</u>	<u>3,578,779</u>
OPERATING DEFICIENCY	(326,122)	(152,454)
GAIN ON DISPOSAL OF ASSETS	<u>5,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (321,122)</u>	<u>\$ (152,454)</u>

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PORT ALBERNI PORT AUTHORITY

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2007

STATEMENT "D"

	2007	2006
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (321,122)	\$ (152,454)
Items not involving cash:		
Amortization	655,279	592,313
Gain on disposal of capital assets	<u>(5,000)</u>	<u>-</u>
	329,157	439,859
Net change in non cash working capital balances	<u>180,916</u>	<u>100,303</u>
	<u>510,073</u>	<u>540,162</u>
FINANCING ACTIVITIES		
Contributions - Fisheries and Oceans / Small Craft Harbours and Department of Transport	<u>214,015</u>	<u>139,123</u>
INVESTING ACTIVITIES		
Additions to property and equipment	(608,486)	(370,307)
Disposals to equipment	<u>5,000</u>	<u>-</u>
	<u>(603,486)</u>	<u>(370,307)</u>
INCREASE IN CASH	120,602	308,978
CASH AND EQUIVALENTS, beginning of year	<u>7,578,633</u>	<u>7,269,655</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 7,699,235</u>	<u>\$ 7,578,633</u>

R. Lacoursiere Ltd.
CHARTERED ACCOUNTANT

PORT ALBERNI PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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.

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 except for office furniture and equipment which are fully amortized in the year of acquisition.

Government grants, received for asset additions from equity position contributors, are recorded as contributed surplus. During the year the Port Authority received \$214,015 (2006 - \$139,123) from the Department of Fisheries and Oceans/Small Craft Harbours and Transport Canada - Marine Security Contribution Program for the purpose of acquiring property, plant, and equipment relating to the Marine Security Program and Fisherman's Harbour electrical and other improvements.

Revenue from moorage and camping are recognized when invoiced, 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.

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PORT ALBERNI PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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. The investments are earning an average interest rate of 4.025 % per annum as of December 31, 2007.

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 \$7,050,000 (2006 \$7,150,000) 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 \$88,000 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 was in effect up to and including the calendar year 2007. Discussions are in process with the City of Port Alberni for the renewal of this accord.

NOTE 8 LEASE - PROVINCE OF BRITISH COLUMBIA

The Port Authority is in the process of negotiating and renewing the long term Head Lease with the Province of British Columbia for the management of provincial property in and along the Alberni Inlet.

PORT ALBERNI PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 9 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 10 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 11 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 12 PRIOR YEAR'S FIGURES

The prior year's figures were audited by another Chartered Accounting firm and were restated to conform with the current year's presentation.

NOTE 13 DIRECTORS AND PRESIDENT/CEO REMUNERATION DURING 2007

Directors	K. Barlow	\$ 7,500
	G. Blake	625
	G. Brett	7,500
	D. Ferster	7,500
	R. Kanngiesser	10,000
	P. Pashnik	6,875
President/CEO	B. Madelung	118,594