

PORT ALBERNI PORT AUTHORITY

PORT ALBERNI, BC

FINANCIAL STATEMENTS

DECEMBER 31, 2009



*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, 2009 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, 2009 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.*  
Chartered Accountants

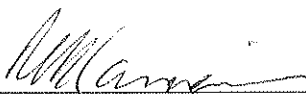
Port Alberni, BC  
March 10, 2010

PORT ALBERNI PORT AUTHORITY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2009

STATEMENT A

	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and short-term investments (note 4)	\$ 8,098,377	\$ 7,715,626
Accounts receivable	493,374	379,665
Inventory (note 3)	12,143	-
Prepaid expense	<u>61,035</u>	<u>57,288</u>
	<u>8,664,929</u>	<u>8,152,579</u>
<b>PROPERTY AND EQUIPMENT</b>		
At cost - (note 3)	24,908,766	24,791,432
Less accumulated amortization	<u>20,095,484</u>	<u>19,511,121</u>
	<u>4,813,282</u>	<u>5,280,311</u>
	<u>\$ 13,478,211</u>	<u>\$ 13,432,890</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable - trade	\$ 388,936	\$ 384,484
Unearned lease revenue - (note 3)	<u>101,441</u>	<u>126,898</u>
	<u>490,377</u>	<u>511,382</u>
<b>RESERVE FOR SELF INSURANCE (note 5)</b>	<u>110,000</u>	<u>110,000</u>
<b>NET ASSETS - statement B</b>	<u>12,877,834</u>	<u>12,811,508</u>
	<u>\$ 13,478,211</u>	<u>\$ 13,432,890</u>

Approved on behalf of the Port Authority

  
 \_\_\_\_\_  
 Chairman

  
 \_\_\_\_\_  
 Treasurer

PORT ALBERNI PORT AUTHORITY  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2009

STATEMENT B

	2009	2008
<b>CONTRIBUTED SURPLUS</b>		
Balance, beginning of year	\$ 3,726,305	\$ 3,726,305
Contributions	<u>-</u>	<u>-</u>
Balance, end of year	<u>3,726,305</u>	<u>3,726,305</u>
 <b>RETAINED REVENUES</b>		
Balance, beginning of year	1,885,203	2,398,155
Excess (deficiency) of revenue over expenses	66,326	(362,952)
Allocation (to) from reserve	<u>(500,000)</u>	<u>(150,000)</u>
Balance, end of year	<u>1,451,529</u>	<u>1,885,203</u>
 <b>RESERVE FOR HARBOUR MAINTENANCE AND DEVELOPMENT</b>		
Balance, beginning of year	7,200,000	7,050,000
Allocation (to) from retained revenues	<u>500,000</u>	<u>150,000</u>
Balance, end of year (note 6)	<u>7,700,000</u>	<u>7,200,000</u>
 TOTAL - statement A	 <u>\$ 12,877,834</u>	 <u>\$ 12,811,508</u>

PORT ALBERNI PORT AUTHORITY  
STATEMENT OF REVENUE AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2009

STATEMENT C

	2009	2008
<b>REVENUE</b>		
Operations	\$ 4,016,999	\$ 2,435,754
Investment income	<u>249,006</u>	<u>310,117</u>
	4,266,005	2,745,871
Gross revenue charge	<u>85,283</u>	<u>54,961</u>
	<u>4,180,722</u>	<u>2,690,910</u>
<b>EXPENSES</b>		
Amortization	600,460	645,227
Supplies, services and maintenance	2,192,970	1,217,489
Wages and benefits	<u>1,313,438</u>	<u>1,201,926</u>
	<u>4,106,868</u>	<u>3,064,642</u>
<b>OPERATING INCOME (DEFICIENCY)</b>	73,854	(373,732)
Gain on disposal of asset	2,598	-
Unrealized gain (loss) on foreign exchange	<u>(10,126)</u>	<u>10,780</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ 66,326</u>	<u>\$ (362,952)</u>

PORT ALBERNI PORT AUTHORITY  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED DECEMBER 31, 2009

STATEMENT D

	2009	2008
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ 66,326	\$ (362,952)
Items not involving cash:		
Amortization	600,460	645,227
Gain on disposal of assets	<u>(2,598)</u>	<u>-</u>
	664,188	282,275
Net change in non-cash working capital balances	<u>(150,604)</u>	<u>(245,349)</u>
	<u>513,584</u>	<u>36,926</u>
 <b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(139,036)	(20,535)
Disposals of equipment	<u>8,203</u>	<u>-</u>
	<u>(130,833)</u>	<u>(20,535)</u>
 <b>INCREASE IN CASH</b>		
	382,751	16,391
 <b>CASH AND EQUIVALENTS, beginning of year</b>		
	<u>7,715,626</u>	<u>7,699,235</u>
 <b>CASH AND EQUIVALENTS, end of year</b>		
	<u>\$ 8,098,377</u>	<u>\$ 7,715,626</u>

PORT ALBERNI PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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. No grants were received in the current year.

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.

PORT ALBERNI PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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 3.68 % per annum as of December 31, 2009.

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 \$7,700,000 ( 2008 \$7,200,000 ) 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.

NOTE 8 LEASE AGREEMENTS

The Port Authority has, during the year, agreed to the amended long-term Head Lease with the rate for the five year period, commencing January 1, 2006. The lease is with the Province of British Columbia for the management of Provincial property in and along the Alberni Inlet.

The Port Authority is in the process of negotiating and renewing the long-term lease, commencing July 1, 2007, with the Regional District of Alberni-Clayoquot for the operation of a campground.



PORT ALBERNI PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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 DIRECTORS AND PORT MANAGER/CEO REMUNERATION DURING 2009

Directors	K. Barlow	\$ 8,500
	G. Blake	8,500
	G. Brett	8,500
	D. Deluca	8,500
	D. Ferster	8,500
	R. Kanngiesser	12,000
	G. Trumper	2,775
Port Manager/CEO	B. Madelung	132,826

NOTE 13 RECLASSIFIED PRIOR YEAR'S FIGURES

The prior year's figures were reclassified to conform to the current year's presentation.