

Village of Port Clements
Consolidated Financial Statements
December 31, 2006

ALAN K. HOOPER INC.
Chartered Accountants



**Village of Port Clements
Consolidated Financial Statements
December 31, 2006
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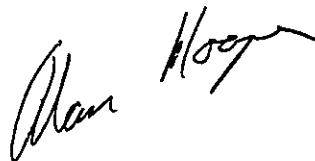
Auditor's Report

To the Mayor and Council of
Village of Port Clements
Port Clements, BC

I have audited the statement of financial position of Village of Port Clements as at December 31, 2006 and the statements of operations and changes in fund balances, and changes in financial position for the year then ended. These financial statements are the responsibility of the municipality's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. These standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the municipality as at December 31, 2006 and results of operations for the year then ended in accordance with Canadian generally accepted accounting principles.



March 24, 2007

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Village of Port Clements
Consolidated Statement of Financial Position
As at December 31, 2006

	General Operating Fund	Water Operating Fund	Sewer Operating Fund	Invested in Capital Assets	<u>2006</u> Total	<u>2005</u> Total
Financial assets						
Cash and portfolio investments (Note 3)	\$ 609,826	\$ -	\$ -	\$ -	\$ 609,826	\$ 541,965
Cash deposit with MFA	-	1,119	13,167	-	14,286	13,659
Accounts receivable	150,567	-	-	-	150,567	21,940
GST Receivable	18,687	-	-	-	18,687	8,077
Taxes receivable	127,031	-	-	-	127,031	164,654
Grants receivable	104,754	-	-	-	104,754	53,894
Other - receivables	-	-	-	-	-	840
Land held for resale	39,241	-	-	-	39,241	18,961
MFA deposits	-	819	9,635	-	10,454	10,454
	<u>1,050,106</u>	<u>1,938</u>	<u>22,802</u>	<u>-</u>	<u>1,074,846</u>	<u>834,444</u>
Due from general fund	<u>-</u>	<u>252,274</u>	<u>181,087</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,050,106</u>	<u>254,212</u>	<u>203,889</u>	<u>-</u>	<u>1,074,846</u>	<u>834,444</u>
Liabilities						
Accounts payable	77,711	-	-	-	77,711	50,281
Deferred revenue (Note 4)	300,715	-	-	-	300,715	258,096
MFA debt reserve fund demand notes	-	819	9,635	-	10,454	10,454
Long term debt (Note 5)	-	-	-	11,217	11,217	21,900
	<u>378,426</u>	<u>819</u>	<u>9,635</u>	<u>11,217</u>	<u>400,097</u>	<u>340,731</u>
Due to sewer/water fund	<u>433,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>811,787</u>	<u>819</u>	<u>9,635</u>	<u>11,217</u>	<u>400,097</u>	<u>340,731</u>
Net Financial Assets	<u>238,319</u>	<u>253,393</u>	<u>194,254</u>	<u>(11,217)</u>	<u>674,749</u>	<u>493,713</u>
Physical Assets						
Inventory of supplies	21,500	34,650	8,750	-	64,900	-
Prepaid expenses	8,274	-	-	-	8,274	-
Property, plant and equipment (Note 6)	-	-	-	5,194,649	5,194,649	5,181,391
	<u>29,774</u>	<u>34,650</u>	<u>8,750</u>	<u>5,194,649</u>	<u>5,267,823</u>	<u>5,181,391</u>
Net Position	<u>\$ 268,093</u>	<u>\$ 288,043</u>	<u>\$ 203,004</u>	<u>\$ 5,183,432</u>	<u>\$ 5,942,572</u>	<u>\$ 5,675,104</u>
Municipal Position						
Unrestricted	\$ 165,185	\$ -	\$ -	\$ -	\$ 165,185	\$ 79,490
Internally restricted water operating	-	286,924	-	-	286,924	198,286
Internally restricted sewer operating	-	-	189,837	-	189,837	142,636
Invested in physical assets	-	-	-	5,183,432	5,183,432	5,143,788
	<u>165,185</u>	<u>286,924</u>	<u>189,837</u>	<u>5,183,432</u>	<u>5,825,378</u>	<u>5,564,200</u>
Internally restricted reserves (Note 7)	102,908	-	-	-	102,908	92,667
MFA debt reserve fund	-	1,119	13,167	-	14,286	13,659
Fund balances	<u>\$ 268,093</u>	<u>\$ 288,043</u>	<u>\$ 203,004</u>	<u>\$ 5,183,432</u>	<u>\$ 5,942,572</u>	<u>\$ 5,670,526</u>

Approved by:  Mayor and Council

ALAN K. HOOPER INC.
Chartered Accountants

Village of Port Clements
Consolidated Statement of Changes in Fund Balances
For the year ended December 31, 2006

	General Operating Fund	Water Operating Fund	Sewer Operating Fund	Invested in Capital Assets	<u>2006</u> Total	<u>2005</u> Total
Fund balances, beginning	\$ 79,489	\$ 198,286	\$ 142,636	\$5,143,789	\$5,564,200	\$5,431,084
Net revenue	123,795	88,638	47,201	-	259,634	130,998
Capital grants used to acquire capital assets (Note 2)	<u>238,934</u>	<u>-</u>	<u>-</u>	<u>(238,934)</u>	<u>-</u>	<u>-</u>
	442,218	286,924	189,837	4,904,855	5,823,834	5,562,082
Payment on debenture principal and related transfers	(3,479)	-	-	3,479	-	-
MFA actuarial adjustment (Note 9)	-	-	-	7,204	7,204	6,696
Transfer to reserves	(5,660)	-	-	-	(5,660)	-
Interfund transfers used to acquire capital assets	<u>(267,894)</u>	<u>-</u>	<u>-</u>	<u>267,894</u>	<u>-</u>	<u>-</u>
Fund balances, end	<u>\$ 165,185</u>	<u>\$ 286,924</u>	<u>\$ 189,837</u>	<u>\$5,183,432</u>	<u>\$5,825,378</u>	<u>\$5,568,778</u>

Village of Port Clements
Consolidated Statement of Operations
For the year ended December 31, 2006

	General Operating Fund (Schedule '1')	Water Operating Fund (Schedule '2')	Sewer Operating Fund (Schedule '3')	<u>2006</u> Total	<u>2005</u> Total
Revenue					
Taxes	\$ 117,664	\$ 51,972	\$ 39,982	\$ 209,618	\$ 206,488
Payments in lieu of taxes	7,450	-	-	7,450	7,581
Services	18,512	-	-	18,512	3,872
Revenue from own sources	94,589	52,619	27,332	174,540	122,142
Revenue from Multi-Purpose Building	10,431	-	-	10,431	-
Unconditional grants	213,625	-	9,219	222,844	177,110
Conditional grants	37,688	9,836	1,445	48,969	58,134
Collections for other agencies	<u>161,684</u>	<u>-</u>	<u>-</u>	<u>161,684</u>	<u>169,240</u>
	<u>661.643</u>	<u>114.427</u>	<u>77.978</u>	<u>854.048</u>	<u>744.567</u>
Expenditures					
Legislative	42,934	-	-	42,934	33,210
General administration	169,301	-	-	169,301	153,127
Protective services	13,455	-	-	13,455	24,561
Emergency services	11,365	-	-	11,365	-
Common services	17,532	-	-	17,532	23,021
Wharf	25,885	-	-	25,885	14,341
Small Craft Harbour	6,469	-	-	6,469	7,858
Roads	23,057	-	-	23,057	21,744
Environmental health	80	-	-	80	480
Environmental development	3,813	-	-	3,813	6,579
Parks and recreation	44,609	-	-	44,609	38,397
Cultural buildings and facilities	3,893	-	-	3,893	3,626
Multi-Purpose Building	2,568	-	-	2,568	6,467
Fiscal services - debt service	260	722	8,490	9,472	12,504
Capital expenditures	9,788	-	-	9,788	9,803
Taxes levied - other governments	162,839	-	-	162,839	169,974
Other	<u>-</u>	<u>25.067</u>	<u>22.287</u>	<u>47.354</u>	<u>87.877</u>
	<u>537.848</u>	<u>25.789</u>	<u>30.777</u>	<u>594.414</u>	<u>613.569</u>
Excess (deficiency) of revenues over expenses	<u>\$ 123.795</u>	<u>\$ 88.638</u>	<u>\$ 47.201</u>	<u>\$ 259.634</u>	<u>\$ 130.998</u>

ALAN K. HOOPER INC.
Chartered Accountants

Village of Port Clements
Consolidated Statement of Changes in Financial Position
For the year ended December 31, 2006

	<u>2006</u>	<u>2005</u>
Operating activities		
Cash receipts from Government grants, donations and fundraising	\$ 702,414	\$ 681,535
Cash paid to suppliers and employees	(592,275)	(588,413)
Interest paid	(9,212)	(9,213)
	<u>100,927</u>	<u>83,909</u>
Financing activities		
Repayment of long-term debt	(3,479)	(10,174)
Capital grants	238,934	15,498
	<u>235,455</u>	<u>5,324</u>
Investing activity		
Acquisition of capital assets	<u>(267,894)</u>	<u>(61,425)</u>
Increase in cash	68,488	27,808
Cash at beginning of year	<u>555,624</u>	<u>527,816</u>
Cash at end of year	<u>\$ 624,112</u>	<u>\$ 555,624</u>

Village of Port Clements
Notes to the Consolidated Financial Statements
December 31, 2006

1. Purpose of the organization

The Village of Port Clements is a municipality and provides general government, water, sewer and related services to the residents of Port Clements, B.C.

2. Significant accounting policies

The consolidated financial statements of the Village of Port Clements are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, and changes in fund balances and the financial position of the reporting entity which comprises all the organizations that are accountable for the administration of their financial affairs and resources to the Council and are owned or controlled by the Municipality.

(b) Accrual accounting

The accrual method of accounting is used. The accrual of interest on long-term debt to the end of the fiscal period has not been included in these financial statements.

(c) Portfolio investments

The investments are recorded at cost.

(d) Physical assets

Physical assets are recorded at cost and are not amortized. Commencing in 2005, grants specifically for physical assets will be reallocated to the physical asset accounts to offset the purchases.

(e) Foreign currency

Liabilities denominated in U.S. currency are translated into Canadian dollars at the rate of exchange in effect as at December 31st. Gains and losses resulting from this translation are credited or charged to expense of the appropriate operating fund.

(f) Capital grants

Capital grants are taken into income when received. The amount of the capital grants received in the current year was \$238,937 (2005 - \$305,946). In order to conform to PSAB, commencing in 2005, capital grants received but not used in the year for their specific purposes will be allocated to the deferred revenue account.

Village of Port Clements
Notes to the Consolidated Financial Statements
December 31, 2006

3. Cash and portfolio investments

	<u>2006</u>	<u>2005</u>
General Revenue Fund		
Cash	\$ 285,869	\$ 201,495
Cash - building fund	42,594	41,134
Wharf Facility Fund		
Term deposits and investment	281,363	270,328
General Reserve Fund		
Term deposit	<u>-</u>	<u>29,008</u>
	<u>\$ 609,826</u>	<u>\$ 541,965</u>

4. Deferred revenue

The municipality entered into a contribution agreement with the Government of Canada in November 2001, whereby the municipality received \$388,000, to be applied to expenditures directly related to the operation of the port lands and facilities. The term of the agreement is for five years. The unexpended portion of \$208,725 (2005 - \$234,610) of the contribution is included in deferred revenue.

The following grants have also been included in deferred revenue until they can be used:

Grant for soccer field	\$ 3,486	
UBCM Tourism	12,625	
Tsunami	8,635	
UBCM - water treatment plant	62,244	
Emergency planning	<u>5,000</u>	
	<u>\$ 91,990</u>	

5. Long term debt

The long term debt is held by the Municipal Finance Authority. Reduction of the amounts owing are made by annual repayments of principal and the deduction of actuarial-determined adjustments. Long-term debt comprises the following:

	<u>2006</u>	<u>2005</u>
Issue #32 originally advanced in 1982 for \$166,000. The debt is repayable in annual installments of \$3,478 plus interest at 5.55% per annum. The debt matures October 2007.	<u>\$ 11,217</u>	<u>\$ 21,900</u>

Village of Port Clements
Notes to the Consolidated Financial Statements
December 31, 2006

5. Continued

Represented by:

	<u>2006</u>	<u>2005</u>
Water System Capital Fund debentures	\$ 878	\$ 1,715
Sewer System Capital Fund debentures	<u>10,339</u>	<u>20,185</u>
	<u>\$ 11,217</u>	<u>\$ 21,900</u>

There are no principal repayments due in 2007 since the sinking fund will be making payments of principal and interest on the municipality's behalf.

6. Physical assets

	<u>2006</u>	<u>2005</u>
Parks and playgrounds	\$ 947,866	\$ 947,868
Buildings and trailer	535,476	532,106
Fire protection equipment	480,689	473,856
Equipment and tools	70,248	70,248
Small craft harbour	43,241	43,241
Sanitation	9,273	9,273
Automotive equipment	19,334	4,033
Community Centre equipment	3,302	3,302
Roads	268,159	293,434
Zoning plans	16,292	14,542
Water system	1,060,181	1,050,345
Sewer system	1,390,634	1,389,189
Land	<u>349,954</u>	<u>349,954</u>
	<u>\$5,194,649</u>	<u>\$5,181,391</u>

7. Internally restricted reserves

	<u>2006</u>	<u>2005</u>
Building fund reserve	\$ 46,720	\$ 41,057
Latecomers' fee reserve	22,157	22,157
Community hall renovation reserve	19,000	19,000
Soccer field reserve	3,924	3,924
Planning fund reserve	6,529	6,529
Land reserve	<u>4,578</u>	<u>-</u>
	<u>\$ 102,908</u>	<u>\$ 92,667</u>

These internally restricted amounts are not available for other purposes without approval of the mayor and council.

Village of Port Clements
Notes to the Consolidated Financial Statements
December 31, 2006

8. Contingent liability

The municipality and its employees contribute to the Municipal Pension Plan (the plan), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 130,000 active members and approximately 48,000 retired members. Active members include approximately 30,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not attribute portions of the unfunded liability to individual employers. The Village of Port Clements paid \$12,436 for employer contributions to the plan in fiscal 2006.

9. MFA actuarial adjustments

An annual actuarial adjustment, calculated on income earned on the invested principal repayments, reduces the principal on the long-term debt.

10. Prior period adjustment

The receivable from Gwain Trust was overstated by \$15,703. This grant was for the washrooms at St. Mark's. On the 2005 statement of financial position the amount of \$15,703 was debited to the building account and credited to accounts receivable - grants.

11. Financial instruments

The municipality's financial instruments consist of cash, short term investments, accounts and taxes receivable, grants receivable, accounts payable and long term debt. Unless otherwise noted, it is management's opinion that the municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values.

12. Measurement uncertainty

Management is required to make estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent liabilities. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Village of Port Clements
General Operating Fund - Statement of Operations
For the year ended December 31, 2006

	<u>2006</u> Actual	<u>2006</u> Budget	<u>2005</u> Actual
Revenue			
Taxes	\$ 117,664	\$ 117,471	\$ 115,135
Payments in lieu of taxes	7,450	7,450	7,581
Services	18,512	30,742	3,872
Revenue from own sources	94,589	108,897	41,500
Revenue from Multi-Purpose Building	10,431	-	-
Unconditional grants	213,625	214,554	160,000
Conditional grants	37,688	311,382	16,296
Collections for other agencies	161,684	161,958	169,240
Transfers from reserves/surplus	-	14,456	-
	<u>661,643</u>	<u>966,910</u>	<u>513,624</u>
Expenditures			
Legislative	42,934	44,716	33,210
General administration	169,301	176,462	153,127
Protective services	13,455	34,775	24,561
Emergency services	11,365	25,250	-
Common services	17,532	17,000	23,021
Wharf	25,885	55,000	14,341
Small Craft Harbour	6,469	5,418	7,858
Roads	23,057	35,200	21,744
Environmental health	80	600	480
Environmental development	3,813	7,065	6,579
Parks and recreation	44,609	63,850	38,397
Cultural buildings and facilities	3,893	20,324	3,626
Multi-Purpose Building	2,568	-	6,466
Fiscal services - debt service	260	1,400	3,290
Capital expenditures	9,788	310,457	9,803
Taxes levied - other governments	162,839	162,893	169,976
Contribution to reserves	-	6,500	-
	<u>537,848</u>	<u>966,910</u>	<u>516,479</u>
Excess of revenues over expenses (Exhibit 'C')	<u>\$ 123,795</u>	<u>\$ -</u>	<u>\$ (2,855)</u>

ALAN K. HOOPER INC.
Chartered Accountants

**Village of Port Clements
Water Operating Fund - Statement of Operations
For the year ended December 31, 2006**

	<u>2006</u> Actual	<u>2006</u> Budget	<u>2005</u> Actual
Revenue			
Taxes	\$ 51,972	\$ 101,523	\$ 51,893
Revenue from own sources	52,619	-	52,785
Unconditional grants	-	-	2,083
Conditional grants	<u>9,836</u>	<u>59,751</u>	<u>10,270</u>
	<u>114,427</u>	<u>161,274</u>	<u>117,031</u>
Expenditures			
Fiscal services - debt service	722	-	722
Other - operating expenses	25,067	92,803	44,372
Contributions to capital reserve	-	67,477	-
Debenture expense	<u>-</u>	<u>994</u>	<u>-</u>
	<u>25,789</u>	<u>161,274</u>	<u>45,094</u>
Excess of revenues over expenses (Exhibit 'C')	<u>\$ 88,638</u>	<u>\$ -</u>	<u>\$ 71,937</u>

Village of Port Clements
Sewer Operating Fund - Statement of Operations
For the year ended December 31, 2006

	<u>2006</u> Actual	<u>2006</u> Budget	<u>2005</u> Actual
Revenue			
Taxes	\$ 39,982	\$ 40,229	\$ 39,460
Revenue from own sources	27,332	27,850	27,857
Unconditional grants	9,219	-	15,027
Conditional grants	<u>1,445</u>	<u>14,800</u>	<u>31,568</u>
	<u>77,978</u>	<u>82,879</u>	<u>113,912</u>
Expenditures			
Fiscal services - debt service	8,490	-	8,492
Other - operating expenses	22,287	65,559	43,504
Contributions to capital reserve	-	5,621	-
Debenture expense	<u>-</u>	<u>11,699</u>	<u>-</u>
	<u>30,777</u>	<u>82,879</u>	<u>51,996</u>
Excess of revenues over expenses (Exhibit 'C')	<u>\$ 47,201</u>	<u>\$ -</u>	<u>\$ 61,916</u>