

**Village of Port Clements**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2011**

**ALAN K. HOOPER INC.**  
**Chartered Accountant**



**ALAN K. HOOPER INC.**  
**Chartered Accountant**

**Independent Auditor's Report**

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

I have audited the accompanying consolidated financial statements of the Village of Port Clements ("The Entity"), which comprise the consolidated statement of financial position as at December 31, 2011 and the consolidated statements of changes in municipal position, consolidated statement of operations, consolidated changes in net financial assets, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

*Auditor's responsibility*

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. Those standards require that I comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements 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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements, 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Port Clements as at December 31, 2011 and its results of operations, net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

May 2, 2012

Prince Rupert, BC



**Village of Port Clements  
Consolidated Statement of Financial Position  
As at December 31, 2011**

	General Operating Fund	Water Operating Fund	Sewer Operating Fund	Invested in Capital Assets	<u>2011</u> Total	<u>2010</u> Total
<b>Financial assets</b>						
Cash and term deposit (Note 2)	\$ 1,753,865	\$ -	\$ -	\$ -	\$ 1,753,865	\$ 1,315,758
Accounts receivable	6,633	-	-	-	6,633	15,229
GST Receivable	26,553	-	-	-	26,553	29,065
Land held for resale	32,646	-	-	-	32,646	25,936
Taxes receivable	111,729	-	-	-	111,729	122,830
	<u>1,931,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,931,426</u>	<u>1,508,818</u>
<b>Due from general fund</b>	<u>-</u>	<u>479,455</u>	<u>342,071</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,931,426</u>	<u>479,455</u>	<u>342,071</u>	<u>-</u>	<u>1,931,426</u>	<u>1,508,818</u>
<b>Liabilities</b>						
Accounts payable (Note 3)	55,093	-	-	-	55,093	57,979
Deferred revenue	224,782	-	-	-	224,782	68,460
	<u>279,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,875</u>	<u>126,439</u>
<b>Due to sewer/water fund</b>	<u>821,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,101,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,875</u>	<u>126,439</u>
<b>Net Financial Assets</b>	<u>830,025</u>	<u>479,455</u>	<u>342,071</u>	<u>-</u>	<u>1,651,551</u>	<u>1,382,379</u>
<b>Physical Assets</b>						
Inventory of supplies	29,728	54,405	2,092	-	86,225	95,099
Prepaid expenses	11,553	-	-	-	11,553	8,327
Tangible capital assets (Note 4)	-	-	-	7,674,176	7,674,177	7,766,294
	<u>41,281</u>	<u>54,405</u>	<u>2,092</u>	<u>7,674,176</u>	<u>7,771,954</u>	<u>7,869,720</u>
Accumulated surplus	<u>\$ 871,306</u>	<u>\$ 533,860</u>	<u>\$ 344,163</u>	<u>\$ 7,674,176</u>	<u>\$ 9,423,505</u>	<u>\$ 9,252,099</u>
<b>Municipal Position</b>						
Unrestricted	\$ 854,048	\$ -	\$ -	\$ -	\$ 854,048	\$ 668,709
Internally restricted water operating	-	533,860	-	-	533,860	460,389
Internally restricted sewer operating	-	-	344,163	-	344,163	323,728
Invested in tangible capital assets	-	-	-	7,674,176	7,674,176	7,766,293
	<u>854,048</u>	<u>533,860</u>	<u>344,163</u>	<u>7,674,176</u>	<u>9,406,247</u>	<u>9,219,119</u>
Internally restricted reserves (Note 5)	17,258	-	-	-	17,258	32,980
Accumulated surplus	<u>\$ 871,306</u>	<u>\$ 533,860</u>	<u>\$ 344,163</u>	<u>\$ 7,674,176</u>	<u>\$ 9,423,505</u>	<u>\$ 9,252,099</u>

Approved by: Norman Samuels Mayor and Council

**Village of Port Clements**  
**Consolidated Statement of Changes in Municipal Position**  
**For the year ended December 31, 2011**

	General Operating Fund	Water Operating Fund	Sewer Operating Fund	General Capital Fund	<u>2011</u> Total	<u>2010</u> Total
Accumulated surplus, beginning of year	701,689	460,389	323,728	7,766,293	9,252,099	9,701,020
Annual surplus (deficit)	<u>3,599</u>	<u>182,138</u>	<u>(14,331)</u>	<u>-</u>	<u>171,406</u>	<u>(448,921)</u>
	705,288	642,527	309,397	7,766,293	9,423,505	9,252,099
Transfer from water to capital	-	(138,637)	-	138,637	-	-
Amortization of property and equipment (Note 1c)	<u>166,018</u>	<u>29,970</u>	<u>34,766</u>	<u>(230,754)</u>	<u>-</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 871,306</u>	<u>\$ 533,860</u>	<u>\$ 344,163</u>	<u>\$ 7,674,176</u>	<u>\$ 9,423,505</u>	<u>\$ 9,252,099</u>

**Village of Port Clements  
Consolidated Statement of Operations  
For the year ended December 31, 2011**

	General Operating Fund (Schedule '1')	Water Operating Fund (Schedule '2')	Sewer Operating Fund (Schedule '3')	<u>2011</u> Total	<u>2010</u> Total
<b>Revenue</b>					
Taxes	\$ 124,865	\$ 52,953	\$ 34,501	\$ 212,319	\$ 208,968
Payments in lieu of taxes	6,910	-	-	6,910	7,114
Services	9,615	-	-	9,615	8,049
Revenue from own sources	60,843	49,106	24,931	134,880	120,776
Multi purpose building rental	13,760	-	-	13,760	14,222
Unconditional grants	389,940	-	49,997	439,937	114,190
Conditional grants	56,940	167,654	-	224,594	69,544
Collections for other agencies	206,945	-	-	206,945	199,050
	<u>869,818</u>	<u>269,713</u>	<u>109,429</u>	<u>1,248,960</u>	<u>741,913</u>
<b>Expenditures</b>					
Amortization of tangible capital assets	166,018	29,970	34,766	230,754	228,638
Legislative	28,428	-	-	28,428	26,973
General administration	175,151	-	-	175,151	155,135
Protective services	35,325	-	-	35,325	39,343
Emergency services	-	-	-	-	3
Common services	14,688	-	-	14,688	18,944
Wharf	1,390	-	-	1,390	(786)
Small Craft Harbour	23,310	-	-	23,310	7,869
Roads	64,146	-	-	64,146	54,191
Environmental health	1,575	-	-	1,575	4,503
Environmental development	886	-	-	886	14,275
Parks and recreation	59,527	-	-	59,527	64,434
Cultural buildings and facilities	3,614	-	-	3,614	8,123
Multi-Purpose Building	20,356	-	-	20,356	27,988
Fiscal services - debt service	1,012	-	-	1,012	85
Capital expenditures	63,125	-	-	63,125	84,797
Taxes levied - other governments	207,668	-	-	207,668	199,062
Other	-	57,605	88,994	146,599	231,568
	<u>866,219</u>	<u>87,575</u>	<u>123,760</u>	<u>1,077,554</u>	<u>1,165,145</u>
Annual operating surplus (deficit)	3,599	182,138	(14,331)	171,406	(423,232)
Loss on disposal of capital asset	-	-	-	-	25,689
Annual surplus (deficit)	<u>\$ 3,599</u>	<u>\$ 182,138</u>	<u>\$ (14,331)</u>	<u>\$ 171,406</u>	<u>\$ (448,921)</u>

**ALAN K. HOOPER INC.**  
Chartered Accountant

**Village of Port Clements**  
**Consolidated Statement of Changes in Net Financial Assets**  
**For the year ended December 31, 2011**

	<u>2011</u>	<u>2010</u>
Annual Surplus (Deficit)	\$ 171,406	\$ (448,921)
Acquisition of tangible capital assets	-	-
Amortization of tangible capital assets	230,754	228,639
Loss on sale of tangible capital assets	-	25,689
Proceeds on sale of capital assets	-	4,000
	<u>402,160</u>	<u>(190,593)</u>
Use (acquisition) of supply inventory	8,875	(380)
Use (acquisition) of prepaid expenses	<u>(3,226)</u>	<u>8,581</u>
	<u>5,649</u>	<u>8,201</u>
<b>Investing activity</b>		
Proceeds on disposal of capital assets	-	-
Acquisition of property and equipment	<u>(138,637)</u>	<u>-</u>
	<u>(138,637)</u>	<u>-</u>
Change in net financial assets	269,172	(182,392)
Net financial assets, beginning of year	<u>1,382,379</u>	<u>1,564,771</u>
Net financial assets, end of year	<u>\$ 1,651,551</u>	<u>\$ 1,382,379</u>

**Village of Port Clements**  
**Consolidated Statement of Cash Flows**  
**For the year ended December 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>Operating activities</b>		
Cash receipts from Government grants, donations and fundraising	\$ 1,424,979	\$ 781,600
Cash paid to suppliers and employees	<u>(848,235)</u>	<u>(953,701)</u>
	<u>576,744</u>	<u>(172,101)</u>
<b>Investing activity</b>		
Proceeds on disposal of tangible capital assets	-	4,000
Acquisition of property and equipment	<u>(138,637)</u>	<u>-</u>
Increase (decrease) in cash	438,107	(168,101)
Cash at beginning of year	<u>1,315,758</u>	<u>1,483,859</u>
Cash at end of year	<u>\$ 1,753,865</u>	<u>\$ 1,315,758</u>



**Village of Port Clements**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2011**

**1. Significant accounting policies**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent liabilities. Areas requiring significant estimation are post-employment benefits, compensated absences and termination benefits. Actual results as determined by future events may affect these estimates. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality in accordance with Canadian generally accepted accounting principles, as prescribed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

The significant account policies are summarized below:

**(a) Fund accounting**

The resources and operations of the Village have been segregated for accounting purposes into the following funds:

**General operating fund**

The purpose of the general operating fund is to reflect the operating activities, administration and debt servicing functions of the Village, not including sewer and water.

**Water operating fund**

The purpose of the water operating fund is to reflect the operating activities, administration and debt servicing functions of the Village, related to the water system.

**Sewer operating fund**

The purpose of the sewer operating fund is to reflect the operating activities, administration and debt servicing functions of the Village, related to the sewer system.

**Tangible capital asset fund**

The purpose of the tangible capital asset fund is to reflect tangible capital assets and the related financing and equity therein.

**(b) Basis of presentation**

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 Village.

**Village of Port Clements**  
**Notes to the Consolidated Financial Statements-continued**  
**December 31, 2011**

**Note 1 - continued**

**(c) Tangible capital assets**

Tangible capital assets are recorded at cost on acquisition, or market value when contributed. Amortization is calculated on a straight line basis at the following rates, buildings 25 years, automotive and other equipment 10 years, fire department equipment 20 years, infrastructure 40 years. Amortization is charged against operations.

**(d) Comparative figures**

Certain 2009 comparative figures have been reclassified to conform with presentation adopted for 2010.

**2. Cash and short term investments**

	<u>2011</u>	<u>2010</u>
General Revenue Fund		
Cash	\$1,638,078	\$1,203,692
Cash - building fund	-	-
Harbour Account		
Municipal finance authority	<u>115,787</u>	<u>112,065</u>
	<u>\$1,753,865</u>	<u>\$1,315,757</u>

**3. Accounts payable**

	<u>2011</u>	<u>2010</u>
Accounts payable - general	\$ 53,819	\$ 52,307
Payroll trust amounts	<u>1,274</u>	<u>5,672</u>
	<u>\$ 55,093</u>	<u>\$ 57,979</u>

**Village of Port Clements**  
**Notes to the Consolidated Financial Statements-continued**  
**December 31, 2011**

**4. Tangible capital assets**

Tangible capital assets consist of the following:

	Cost/Contributed Amount	Accumulated Amortization	Net 2011	Net 2010
Land	\$ 349,954	\$ -	\$ 349,954	\$ 349,954
Buildings	3,636,754	364,010	3,272,744	3,374,589
Automotive	19,334	7,734	11,600	13,534
Fire department equipment	495,285	98,225	397,060	421,616
Office equipment	19,594	7,838	11,756	13,716
Tools & equipment	70,248	7,025	63,223	64,979
Parks & Recreation	1,012,218	100,631	911,587	936,795
Roads and Sidewalks	350,386	35,039	315,347	324,107
Water system	1,198,818	109,484	1,089,334	980,667
Sewer system	1,390,634	139,063	1,251,571	1,286,336
	<u>\$ 8,543,225</u>	<u>\$ 869,049</u>	<u>\$ 7,674,176</u>	<u>\$ 7,766,293</u>

**5. Internally restricted reserves**

	<u>2011</u>	<u>2010</u>
Building fund reserve	\$ 4,295	\$ 4,295
Latecomers' fee reserve	9,369	22,157
Planning fund reserve	<u>3,594</u>	<u>6,528</u>
	<u>\$ 17,258</u>	<u>\$ 32,980</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-continued**  
**December 31, 2011**

**6. Contingent liability**

The municipality and its employees contribute to the Municipal Pension Plan (Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the 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 173,000 active members and approximately 63,000 retired members. Active members include approximately 35,000 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, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Define contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets and cost to individual entities participating in the Plan.

The Village of Port Clements paid \$11,026 for employer contributions to the plan in fiscal 2011.

**7. Financial instruments**

The municipality's financial instruments consist of cash and term deposits, accounts and taxes receivable, grants receivable, and accounts payable. 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.

**Village of Port Clements**  
**General Operating Fund - Statement of Operations**  
**For the year ended December 31, 2011**

	<u>2011</u> Actual	<u>2011</u> Budget	<u>2010</u> Actual
<b>Revenue</b>			
Taxes	\$ 124,865	\$ 124,865	\$ 123,370
Payments in lieu of taxes	6,910	7,113	7,114
Services	9,615	12,028	8,049
Revenue from own sources	60,843	50,530	48,862
Multi-Purpose Building Rental	13,760	14,700	14,222
Unconditional grants	389,940	406,000	114,190
Conditional grants	56,940	186,933	69,544
Collections for other agencies	<u>206,945</u>	<u>193,936</u>	<u>199,050</u>
	<u>869,818</u>	<u>996,105</u>	<u>584,401</u>
<b>Expenditures</b>			
Amortization of tangible capital assets	166,018	154,896	167,367
Legislative	28,428	35,300	26,973
General administration	175,151	190,450	155,135
Protective services	35,325	46,250	39,343
Emergency services	-	10,750	3
Common services	14,688	19,000	18,944
Wharf	1,390	10,400	(786)
Small Craft Harbour	23,310	27,224	7,869
Roads	64,146	92,300	54,191
Environmental health	1,575	2,080	4,503
Environmental development	886	6,000	14,275
Parks and recreation	59,527	68,600	64,434
Cultural buildings and facilities	3,614	-	8,123
Multi-Purpose Building operating	20,356	58,000	27,988
Fiscal services - debt service	1,012	1,400	85
Capital expenditures	63,125	179,012	84,797
Taxes levied - other governments	<u>207,668</u>	<u>194,936</u>	<u>199,062</u>
	<u>866,219</u>	<u>,096,598</u>	<u>872,306</u>
<b>Excess of revenues over expenses</b>			
<b>(Exhibit 'C')</b>	<u>\$ 3,599</u>	<u>\$ (100,493)</u>	<u>\$ (287,905)</u>

**ALAN K. HOOPER INC.**  
**Chartered Accountant**

**Village of Port Clements**  
**Water Operating Fund - Statement of Operations**  
**For the year ended December 31, 2011**

	<u>2011</u> Actual	<u>2011</u> Budget	<u>2010</u> Actual
<b>Revenue</b>			
Taxes	\$ 52,953	\$ 48,000	\$ 51,097
Revenue from own sources	49,106	50,566	46,804
Conditional grants	<u>167,654</u>	<u>586,000</u>	<u>-</u>
	<u>269,713</u>	<u>684,566</u>	<u>97,901</u>
<b>Expenditures</b>			
Capital expenditures	-	586,089	-
Amortization of tangible capital	29,970	21,177	26,505
Other - operating expenses	<u>57,605</u>	<u>77,300</u>	<u>98,817</u>
	<u>87,575</u>	<u>684,566</u>	<u>125,322</u>
<b>Excess of revenues over expenses</b> <b>(Exhibit 'C')</b>	<u>\$ 182,138</u>	<u>\$ -</u>	<u>\$ (27,421)</u>

**Village of Port Clements**  
**Sewer Operating Fund - Statement of Operations**  
**For the year ended December 31, 2011**

	<u>2011</u> Actual	<u>2011</u> Budget	<u>2010</u> Actual
<b>Revenue</b>			
Taxes	\$ 34,501	\$ 33,000	\$ 34,501
Revenue from own sources	24,931	26,316	25,111
Unconditional grants	49,997	62,086	-
Transfer from surplus	-	-	-
	<u>109,429</u>	<u>121,402</u>	<u>59,612</u>
<b>Expenditures</b>			
Capital expenditures	-	54,366	-
Amortization of tangible capital assets	34,766	15,036	34,766
Other - operating expenses	<u>88,994</u>	<u>52,000</u>	<u>132,751</u>
	<u>123,760</u>	<u>121,402</u>	<u>167,517</u>
<b>Excess of revenues over expenses</b> <b>(Exhibit 'C')</b>	<u>\$ (14,331)</u>	<u>\$ -</u>	<u>\$ (107,905)</u>