



Village of Port Clements

Consolidated Financial Statements

For the year ended December 31, 2012



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, 2012 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. 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, 2012 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 10, 2013

A handwritten signature in black ink that reads 'Alan Hooper'.

Prince Rupert, BC



Exhibit 'A'

Village of Port Clements
Consolidated Statement of Financial Position
As at December 31, 2012

	General Operating Fund	Water Operating Fund	Sewer Operating Fund	Invested in Capital Assets	<u>2012</u> Total	<u>2011</u> Total
Financial assets						
Cash and term deposit (Note 2)	\$2,089,987	\$ -	\$ -	\$ -	\$2,089,987	\$1,753,865
Accounts receivable	2,467	-	-	-	2,467	6,633
GST Receivable	12,000	-	-	-	12,000	26,553
Land held for resale	34,974	-	-	-	34,974	32,646
Taxes receivable	127,906	-	-	-	127,906	111,729
	<u>2,267,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,267,334</u>	<u>1,931,426</u>
Due from general fund	<u>-</u>	<u>488,110</u>	<u>364,138</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,267,334</u>	<u>488,110</u>	<u>364,138</u>	<u>-</u>	<u>2,267,334</u>	<u>1,931,426</u>
Liabilities						
Accounts payable (Note 3)	30,915	-	-	-	30,915	55,093
Deferred revenue	211,335	-	-	-	211,335	224,783
	<u>242,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,250</u>	<u>279,876</u>
Due to sewer/water fund	<u>852,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,094,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,250</u>	<u>279,876</u>
Net Financial Assets	<u>1,172,836</u>	<u>488,110</u>	<u>364,138</u>	<u>-</u>	<u>2,025,084</u>	<u>1,651,550</u>
Physical Assets						
Prepaid expenses	19,082	-	-	-	19,082	11,554
Tangible capital assets (Note 4)	-	-	-	8,449,591	8,449,591	7,674,176
	<u>19,082</u>	<u>-</u>	<u>-</u>	<u>8,449,591</u>	<u>8,468,673</u>	<u>7,685,730</u>
Accumulated surplus	<u>\$1,191,918</u>	<u>\$ 488,110</u>	<u>\$ 364,138</u>	<u>\$8,449,591</u>	<u>\$10,493,757</u>	<u>\$9,337,280</u>
Municipal Position						
Unrestricted	\$1,171,694	\$ -	\$ -	\$ -	\$1,171,694	\$ 824,320
Internally restricted water operating	-	488,110	-	-	488,110	479,455
Internally restricted sewer operating	-	-	364,138	-	364,138	342,071
Invested in tangible capital assets	-	-	-	8,449,591	8,449,591	7,674,176
	<u>1,171,694</u>	<u>488,110</u>	<u>364,138</u>	<u>8,449,591</u>	<u>10,473,533</u>	<u>9,320,022</u>
Internally restricted reserves (Note 5)	20,224	-	-	-	20,224	17,258
Accumulated surplus	<u>\$1,191,918</u>	<u>\$ 488,110</u>	<u>\$ 364,138</u>	<u>\$8,449,591</u>	<u>\$10,493,757</u>	<u>\$9,337,280</u>

Approved by: _____ Mayor and Council

[Handwritten Signature]
Comptroller



Exhibit 'B'

Village of Port Clements
Consolidated Statement of Changes in Municipal Position
For the year ended December 31, 2012

	General Operating Fund	Water Operating Fund	Sewer Operating Fund	General Capital Fund	<u>2012</u> Total	<u>2011</u> Total
Fund balances, beginning of year as previously stated	\$ 871,306	\$ 533,860	\$ 344,163	\$ 7,674,176	\$ 9,423,505	\$ 9,252,099
Prior period adjustment (Note 8)	<u>(29,728)</u>	<u>(54,405)</u>	<u>(2,092)</u>	<u>-</u>	<u>(86,225)</u>	<u>(86,225)</u>
Accumulated surplus, beginning of year	841,578	479,455	342,071	7,674,176	9,337,280	9,165,874
Annual surplus (deficit)	<u>184,322</u>	<u>984,853</u>	<u>(12,699)</u>	<u>-</u>	<u>1,156,476</u>	<u>171,407</u>
	1,025,900	1,464,308	329,372	7,674,176	10,493,756	9,337,281
Transfer from water to capital	-	(1,008,686)	-	1,008,686	-	-
Amortization of property and equipment (Note 1c)	<u>166,018</u>	<u>32,488</u>	<u>34,766</u>	<u>(233,272)</u>	<u>-</u>	<u>-</u>
Accumulated surplus, end of year	<u>\$ 1,191,918</u>	<u>\$ 488,110</u>	<u>\$ 364,138</u>	<u>\$ 8,449,590</u>	<u>\$10,493,756</u>	<u>\$9,337,281</u>



Exhibit 'C'

Village of Port Clements
Consolidated Statement of Operations
For the year ended December 31, 2012

	General Operating Fund (Schedule '1')	Water Operating Fund (Schedule '2')	Sewer Operating Fund (Schedule '3')	<u>2012</u> Total	<u>2011</u> Total
Revenue					
Taxes	\$ 124,868	\$ 49,430	\$ 35,672	\$ 209,970	\$ 212,318
Payments in lieu of taxes	7,137	-	-	7,137	6,910
Services	7,497	-	-	7,497	9,615
Revenue from own sources	64,897	47,717	24,721	137,335	134,880
Multi purpose building rental	12,344	-	-	12,344	13,760
Unconditional grants	539,009	-	-	539,009	439,937
Conditional grants	14,012	979,670	-	993,682	224,594
Collections for other agencies	<u>202,659</u>	<u>-</u>	<u>-</u>	<u>202,659</u>	<u>206,945</u>
	<u>972,423</u>	<u>1,076,817</u>	<u>60,393</u>	<u>2,109,633</u>	<u>1,248,959</u>
Expenditures					
Amortization of tangible capital assets	166,018	32,488	34,766	233,272	230,754
Legislative	33,473	-	-	33,473	28,428
General administration	166,224	-	-	166,224	173,997
Protective services	45,577	-	-	45,577	35,325
Emergency services	236	-	-	236	-
Common services	16,592	-	-	16,592	15,842
Wharf	2,419	-	-	2,419	1,390
Small Craft Harbour	5,786	-	-	5,786	23,310
Roads	41,418	-	-	41,418	64,146
Environmental health	1,410	-	-	1,410	1,575
Environmental development	524	-	-	524	886
Parks and recreation	30,914	-	-	30,914	41,981
Cultural buildings and facilities	4,109	-	-	4,109	3,614
Multi-Purpose Building	58,389	-	-	58,389	47,888
Fiscal services - debt service	1,689	-	-	1,689	1,012
Capital expenditures	13,274	-	-	13,274	53,138
Taxes levied - other governments	203,015	-	-	203,015	207,668
Other	<u>-</u>	<u>59,476</u>	<u>38,326</u>	<u>97,802</u>	<u>146,598</u>
	<u>791,067</u>	<u>91,964</u>	<u>73,092</u>	<u>956,123</u>	<u>1,077,552</u>
Annual operating surplus (deficit)	181,356	984,853	(12,699)	1,153,510	171,407
Gain on disposal of capital asset	2,966	-	-	2,966	-
Annual surplus (deficit)	<u>\$ 184,322</u>	<u>\$ 984,853</u>	<u>\$ (12,699)</u>	<u>\$ 1,156,476</u>	<u>\$ 171,407</u>



Exhibit 'D'

Village of Port Clements
Consolidated Statement of Changes in Net Financial Assets
For the year ended December 31, 2012

	<u>2012</u>	<u>2011</u>
Annual Surplus (Deficit)	\$ 1,156,476	\$ 171,407
Amortization of tangible capital assets	233,272	230,754
Gain on sale of tangible capital assets	<u>(2,966)</u>	<u>-</u>
	<u>1,386,782</u>	<u>402,161</u>
Use (acquisition) of supply inventory	-	8,875
Use (acquisition) of prepaid expenses	<u>(7,528)</u>	<u>(3,226)</u>
	<u>(7,528)</u>	<u>5,649</u>
Investing activity		
Proceeds on disposal of capital assets	2,966	-
Acquisition of property and equipment	<u>(1,008,686)</u>	<u>(138,637)</u>
	<u>(1,005,720)</u>	<u>(138,637)</u>
Change in net financial assets	373,534	269,173
Net financial assets, beginning of year	<u>1,651,550</u>	<u>1,382,378</u>
Net financial assets, end of year	<u>\$ 2,025,084</u>	<u>\$ 1,651,551</u>



Exhibit 'E'

**Village of Port Clements
Consolidated Statement of Cash Flows
For the year ended December 31, 2012**

	<u>2012</u>	<u>2011</u>
Operating activities		
Cash receipts from Government grants, donations and fundraising	\$ 2,084,174	\$ 1,424,979
Cash paid to suppliers and employees	<u>(742,332)</u>	<u>(848,235)</u>
	<u>1,341,842</u>	<u>576,744</u>
Investing activity		
Proceeds on disposal of tangible capital assets	2,966	-
Acquisition of property and equipment	<u>(1,008,686)</u>	<u>(138,637)</u>
Increase (decrease) in cash	336,122	438,107
Cash at beginning of year	<u>1,753,865</u>	<u>1,315,758</u>
Cash at end of year	<u>\$ 2,089,987</u>	<u>\$ 1,753,865</u>



Village of Port Clements
Notes to the Consolidated Financial Statements
December 31, 2012

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, 2012

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.

2. Cash and short term investments

	<u>2012</u>	<u>2011</u>
General Revenue Fund		
Cash	\$1,960,611	\$1,638,078
Term deposit	11,091	-
Harbour Account		
Municipal finance authority	<u>118,285</u>	<u>115,787</u>
	<u>\$2,089,987</u>	<u>\$1,753,865</u>

3. Accounts payable

	<u>2012</u>	<u>2011</u>
Accounts payable - general	\$ 29,641	\$ 49,421
Payroll trust amounts	<u>1,274</u>	<u>5,672</u>
	<u>\$ 30,915</u>	<u>\$ 55,093</u>



Village of Port Clements
Notes to the Consolidated Financial Statements-continued
December 31, 2012

4. Tangible capital assets

Tangible capital assets consist of the following:

	Cost/Contributed Amount	Accumulated Amortization	Net 2012	Net 2011
Land	\$ 349,954	\$ -	\$ 349,954	\$ 349,954
Buildings	3,636,754	465,907	3,170,847	3,272,744
Automotive	19,334	9,667	9,667	11,600
Fire department equipment	465,285	92,781	372,504	397,060
Office equipment	19,594	9,797	9,797	11,756
Tools & equipment	70,248	8,781	61,467	63,223
Parks & Recreation	1,012,218	125,787	886,431	911,587
Roads and Sidewalks	350,386	43,798	306,588	315,347
Water system	2,207,504	141,972	2,065,532	1,089,334
Sewer system	1,390,634	173,829	1,216,805	1,251,571
	<u>\$ 9,521,911</u>	<u>\$ 1,072,319</u>	<u>\$ 8,449,592</u>	<u>\$ 7,674,176</u>

5. Internally restricted reserves

	<u>2012</u>	<u>2011</u>
Building fund reserve	\$ 4,261	\$ 4,295
Latecomers' fee reserve	9,369	9,369
Fire department reserve	3,000	-
Planning fund reserve	3,594	3,594
	<u>\$ 20,224</u>	<u>\$ 17,258</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, 2012

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 2012.

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.

8. Prior period adjustment

During the year The Village determined that, although it was important to keep track of inventory internally to prevent theft, it was not meaningful or efficient to carry the inventory on the balance sheet, as it consists of left over parts from projects, the value is difficult to determine and they don't intend on reselling it. The effect of this adjustment was to reduce prior years non-financial assets by \$86,225 and the operating surplus by \$86,225.



Schedule '1'

Village of Port Clements
General Operating Fund - Statement of Operations
For the year ended December 31, 2012

	<u>2012</u> Actual	<u>2012</u> Budget	<u>2011</u> Actual
Revenue			
Taxes	\$ 124,868	\$ 127,360	\$ 124,865
Payments in lieu of taxes	7,137	6,875	6,910
Services	7,497	11,250	9,615
Revenue from own sources	64,897	57,530	60,843
Multi-Purpose Building Rental	12,344	13,600	13,760
Unconditional grants	539,009	387,000	389,940
Conditional grants	14,012	121,675	56,940
Collections for other agencies	<u>202,659</u>	<u>206,610</u>	<u>206,945</u>
	<u>972,423</u>	<u>931,900</u>	<u>869,818</u>
Expenditures			
Amortization of tangible capital assets	166,018	154,895	166,018
Legislative	33,473	33,650	28,428
General administration	166,224	181,955	173,997
Protective services	45,577	38,750	35,325
Emergency services	236	750	-
Common services	16,592	17,000	15,842
Wharf	2,419	10,600	1,390
Small Craft Harbour	5,786	10,850	23,310
Roads	41,418	68,250	64,146
Environmental health	1,410	1,600	1,575
Environmental development	524	3,500	886
Parks and recreation	30,914	43,050	41,981
Cultural buildings and facilities	4,109	-	3,614
Multi-Purpose Building operating	58,389	51,750	47,888
Fiscal services - debt service	1,689	1,500	1,012
Capital expenditures	13,274	139,000	53,138
Taxes levied - other governments	<u>203,015</u>	<u>206,610</u>	<u>207,668</u>
	<u>791,067</u>	<u>963,710</u>	<u>866,218</u>
Excess of revenues over expenses			
(Exhibit 'C')	<u>\$ 181,356</u>	<u>\$ (31,810)</u>	<u>\$ 3,600</u>



Schedule '2'

**Village of Port Clements
Water Operating Fund - Statement of Operations
For the year ended December 31, 2012**

	<u>2012</u> <u>Actual</u>	<u>2012</u> <u>Budget</u>	<u>2011</u> <u>Actual</u>
Revenue			
Taxes	\$ 49,430	\$ 48,000	\$ 52,953
Revenue from own sources	47,717	52,600	49,106
Conditional grants	<u>979,670</u>	<u>943,750</u>	<u>167,654</u>
	<u>1,076,817</u>	<u>1,044,350</u>	<u>269,713</u>
Expenditures			
Capital expenditures	-	943,750	-
Amortization of tangible capital	32,488	35,400	29,970
Other - operating expenses	<u>59,476</u>	<u>62,350</u>	<u>57,605</u>
	<u>91,964</u>	<u>1,041,500</u>	<u>87,575</u>
Excess of revenues over expenses (Exhibit 'C')	<u>\$ 984,853</u>	<u>\$ 2,850</u>	<u>\$ 182,138</u>



Schedule '3'

Village of Port Clements
Sewer Operating Fund - Statement of Operations
For the year ended December 31, 2012

	<u>2012</u> Actual	<u>2012</u> Budget	<u>2011</u> Actual
Revenue			
Taxes	\$ 35,672	\$ 33,000	\$ 34,501
Revenue from own sources	24,721	26,536	24,932
Unconditional grants	-	-	49,997
	<u>60,393</u>	<u>59,536</u>	<u>109,430</u>
Expenditures			
Amortization of tangible capital assets	34,766	15,036	34,766
Other - operating expenses	<u>38,326</u>	<u>47,580</u>	<u>88,994</u>
	<u>73,092</u>	<u>62,616</u>	<u>123,760</u>
Excess of revenues over expenses (Exhibit 'C')	<u>\$ (12,699)</u>	<u>\$ (3,080)</u>	<u>\$ (14,330)</u>