

VILLAGE OF PORT CLEMENTS

FINANCIAL STATEMENTS

DECEMBER 31, 2014

Certified General Accountant

Independent Auditor's Report

To the Mayor and Councillors of the
Village of Port Clements,

I have audited the statement of financial position of the Village of Port Clements as at December 31, 2014, and the statement of operations, changes in net debt, cash flows for the year then ended, and a summary of significant policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for local governments, 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 have conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the 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 municipality's preparation and fair presentation of the 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 municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, these financial statements present fairly, in all material respects, the financial position of the municipality as at December 31, 2014 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles for local governments.

A.W. Vandermeer



A.W. Vandermeer & Associates
Certified General Accountant

Cloverdale, B. C.
April 30, 2014

**VILLAGE OF PORT CLEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014**

	2014	2013
	\$	\$
Assets		
Financial assets		
Cash	849,825	877,569
Temporary investments	1,591,805	1,390,987
Property taxes and utilities receivable (Note 3)	84,324	107,195
Trade, government and other receivables (Note 3)	14,537	33,870
	<u>2,540,491</u>	<u>2,409,621</u>
Liabilities		
Trade accounts payable and accruals	19,327	21,999
Deferred revenue (Note 4)	155,708	151,381
	<u>175,035</u>	<u>173,380</u>
Net financial assets	<u>2,365,456</u>	<u>2,236,241</u>
Non-financial assets		
Tangible capital assets (Notes 1 and 5)	8,088,876	8,206,660
Inventories (Notes 1(e))	28,238	27,325
Prepaid expenses and deferred charges	17,995	20,262
	<u>8,135,109</u>	<u>8,254,247</u>
Accumulated surplus	<u>10,500,565</u>	<u>10,490,488</u>
Represented by:		
Operating funds	2,388,964	2,263,604
Statutory Reserve (Note 7)	22,725	20,224
Equity in tangible capital assets (Note 6)	8,088,876	8,206,660
	<u>10,500,565</u>	<u>10,490,488</u>

Approved by the Mayor and Council

The accompanying notes are an integral part of these financial statements.

VILLAGE OF PORT CLEMENTS
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	2014	2013
	\$	\$	\$
Revenue			
Property taxes	212,816	211,344	208,546
Grants in lieu	6,600	7,440	6,315
Services	9,665	8,250	16,306
Revenue from own sources	161,550	159,515	121,443
Multi purpose building rental	12,350	14,178	12,206
Unconditional grants	251,920	250,351	251,920
Conditional grants	105,625	139,232	199,125
Interest and penalties	-	45,499	47,393
Collections for other agencies	206,530	190,391	196,717
	<u>967,056</u>	<u>1,026,200</u>	<u>1,059,971</u>
Total revenue			
Expenditures			
Legislative	39,350	25,521	30,073
General administration	198,200	182,570	190,777
Protective services	49,500	42,731	37,102
Emergency services	750	12,884	3,835
Common services	20,900	25,807	25,924
Wharf	9,050	3,991	21,598
Small craft harbour	13,500	11,564	8,625
Roads	46,900	34,178	37,327
Environmental	1,080	(355)	596
Economic development	9,000	2,479	56,144
Parks, recreation and tourism	49,500	75,773	56,707
Water and Sewer	139,575	100,022	100,513
Multipurpose building maintenance	41,800	47,742	38,212
Fiscal services	2,500	1,640	2,134
Amortization	255,966	259,194	257,039
Payments to other agencies	207,030	190,382	196,635
	<u>1,084,601</u>	<u>1,016,123</u>	<u>1,063,241</u>
Excess operating revenue over expenses	(117,545)	10,077	(3,270)
Accumulated surplus, beginning of year	<u>10,490,488</u>	<u>10,490,488</u>	<u>10,493,758</u>
Accumulated surplus, end of year	<u><u>10,372,943</u></u>	<u><u>10,500,565</u></u>	<u><u>10,490,488</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF PORT CLEMENTS
STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget \$	2014 \$	2013 \$
Excess revenue over expenses	(117,545)	10,077	(3,270)
Amortization of tangible capital assets		259,194	257,039
Change in inventories		(913)	7,649
Change in prepaid expenses		2,267	(1,180)
Disposition tangible capital assets		2,756	-
Acquisition of tangible capital assets	90,000	(144,166)	(14,107)
Increase (decrease) in net financial assets	<u>(207,545)</u>	<u>129,215</u>	<u>246,131</u>
Net financial assets, beginning of year		2,236,241	1,990,110
Net financial assets, end of year		<u><u>2,365,456</u></u>	<u><u>2,236,241</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF PORT CLEMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	2014	2013
	\$	\$
Operating		
Excess revenue over expenses	10,077	(3,270)
<i>Non-cash charges to operating</i>		
Amortization	259,194	257,039
Inventory	(913)	7,649
<i>Changes to financial assets/liabilities</i>		
Accounts receivable	42,204	1,308
Accounts payable	(2,672)	(8,916)
Deferred revenue	4,327	(59,954)
Prepaid expenses	2,267	(1,180)
	<u>314,484</u>	<u>192,676</u>
Capital		
Disposition of tangible capital assets	2,756	-
Acquisition of tangible capital assets	<u>(144,166)</u>	<u>(14,107)</u>
	<u>(141,410)</u>	<u>(14,107)</u>
Financing activities	-	-
Change in cash and cash equivalents	173,074	178,569
Opening cash and cash equivalents	<u>2,268,556</u>	<u>2,089,987</u>
Closing cash and cash equivalents	<u><u>2,441,630</u></u>	<u><u>2,268,556</u></u>
Composition of cash and cash equivalents		
Cash	849,825	877,569
Temporary investments	<u>1,591,805</u>	<u>1,390,987</u>
	<u><u>2,441,630</u></u>	<u><u>2,268,556</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF PORT CLEMENTS
 SCHEDULE OF TANGIBLE CAPITAL ASSETS
 YEAR ENDED DECEMBER 31, 2014

	Land	Buildings	Fire Department Equipment	Office Equipment	Tools & Equipment	Vehicles	Roads & Sidewalks	Biomass Heating System	Water	Sewer	Parks & Recreation	2014 Total	2013 Total
Historical cost													
Opening balance	349,954	3,636,754	476,885	19,594	72,755	19,334	350,386	-	2,207,504	1,390,634	1,012,218	9,536,018	9,521,911
Adjustments	-	28,331	-	-	-	-	-	-	-	-	(28,331)	-	-
Dispositions	-	-	-	-	(4,833)	(3,533)	-	-	-	-	-	(8,366)	-
Additions	52,640	-	-	-	19,260	19,260	-	68,754	-	-	3,512	144,166	14,107
Closing balance	402,594	3,665,085	476,885	19,594	67,922	35,061	350,386	68,754	2,207,504	1,390,634	987,399	9,671,818	9,536,018
Accumulated amortization													
Opening balance	-	567,801	117,917	11,756	11,026	11,600	52,558	-	197,160	208,595	150,945	1,329,358	1,072,319
Adjustments	-	7,083	-	-	-	-	-	-	-	-	(7,083)	-	-
Dispositions	-	-	-	-	(4,833)	(777)	-	-	-	-	-	(5,610)	-
Amortization expense	-	102,603	25,136	1,960	2,124	3,506	8,759	-	55,188	34,766	25,152	259,194	257,039
	-	677,487	143,053	13,716	8,317	14,329	61,317	-	252,348	243,361	169,014	1,582,942	1,329,358
Net book value	402,594	2,987,598	333,832	5,878	59,605	20,732	289,069	68,754	1,955,156	1,147,273	818,385	8,088,876	8,206,660

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF PORT CLEMENTS
SEGMENT DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Revenue				
Property taxes	125,023	48,763	37,558	211,344
Grants in lieu	7,440			7,440
Services	8,250			8,250
Revenue from own sources	78,984	53,052	27,479	159,515
Multi purpose building rental	14,178			14,178
Unconditional grants	250,351			250,351
Conditional grants	139,232			139,232
Interest and penalties	42,792	2,707		45,499
Collections for other agencies	190,391			190,391
	<u>856,641</u>	<u>104,522</u>	<u>65,037</u>	<u>1,026,200</u>
Expenditures				
Legislative	25,521			25,521
General administration	182,570			182,570
Protective services	42,731			42,731
Emergency services	12,884			12,884
Common services	25,807			25,807
Wharf	3,991			3,991
Small craft harbour	11,564			11,564
Roads	34,178			34,178
Environmental	(355)			(355)
Economic development	2,479			2,479
Parks, recreation and tourism	75,773			75,773
Water and Sewer	-	59,038	40,984	100,022
Multipurpose building maintenance	47,742			47,742
Fiscal services	1,640			1,640
Amortization	169,240	55,188	34,766	259,194
Payments to other agencies	190,382			190,382
	<u>826,147</u>	<u>114,226</u>	<u>75,750</u>	<u>1,016,123</u>
Operating fund surplus	<u>30,494</u>	<u>(9,704)</u>	<u>(10,713)</u>	<u>10,077</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF PORT CLEMENTS
CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Water	Sewer	Total	Reserve	Tangible Capital Assets
Revenue	856,641	104,522	65,037	1,026,200		
Expenditures	826,147	114,226	75,750	1,016,123		
Current year surplus (deficit)	30,494	(9,704)	(10,713)	10,077	-	-
Current year adjustments						
Transfers to reserve	(2,501)				2,501	(259,194)
Amortization	169,240	55,188	34,766	259,194		(2,756)
Disposition of assets	2,756			2,756		144,166
Additions to assets	(144,166)			(144,166)		(117,784)
	25,329	55,188	34,766	117,784	2,501	
Accumulated surplus beginning balance	1,356,631	523,660	383,313	2,263,604	20,224	8,206,660
Accumulated surplus ending balance	1,412,454	569,144	407,366	2,388,964	22,725	8,088,876

The accompanying notes are an integral part of these financial statements.

VILLAGE OF PORT CLEMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

1. Significant accounting policies

(a) Basis of presentation

The 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. The Financial Statements reflect the combined results and activities of the reporting entity which is comprised of the Operating, Water, Sewer and Reserve funds and all organizations that are accountable for the administration of their financial affairs and resources to the Council and are controlled or owned by the Village.

(b) Revenue recognition

Taxes are recognized as revenue when they are levied. Sale of services and user fee revenues are recognized when the service or product is provided by the Village. Conditional grant revenues are recognized when specified conditions have been completed. Unconditional grant revenue is recognized when the funding becomes receivable. Revenue unearned in the current period is recorded as deferred revenue.

(c) Tangible capital assets

Tangible capital assets, comprised of capital assets and capital work-in-progress, are recorded at cost less accumulated amortization and are classified according to their functional use. Amortization is recorded on a straight line basis over the estimated useful life of the asset commencing in the year the asset is put into service. Assets under development are not amortized until the asset is available for productive use. Estimated useful lives are as follows:

	Years
Land improvements	40
Buildings	25 – 50
Mobile equipment	10 – 20
Furniture, small tools and office equipment	10
Vehicles	10
Infrastructure	40

(d) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the period. Significant areas requiring estimates include the determination of payroll liabilities and provisions for contingencies. As such actual amounts could differ from the estimates.

(e) Inventories of land for resale

Inventories of land for resale are recorded at cost.

(f) Reserves

Appropriations of the equity of operating funds are provided to allow for anticipated future capital and operating expenditures (see Note 10).

2. Banking facilities

The Village of Port Clements has been provided a \$189,000 operating line of credit at prime with the Canadian Imperial Bank of Commerce.

**VILLAGE OF PORT CLEMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

3.	Accounts receivable	2014	2013
		\$	\$
	Property Taxes and Utilities		
	Property taxes	86,769	108,106
	Utilities	<u>(2,445)</u>	<u>(911)</u>
		<u>84,324</u>	<u>107,195</u>
	Trade, Government and Other		
	Sales taxes receivable	6,313	5,821
	Other receivables	<u>8,224</u>	<u>28,049</u>
		<u>14,537</u>	<u>33,870</u>

4.	Deferred income	2014	2013
	Donation (Centennial Pavilion)	5,000	5,000
	Federal Gas Tax Community Works	134,647	133,481
	Prepaid taxes, business licenses, fitness memberships	9,261	-
	Parks Canada	1,800	-
	Tax sale	<u>5,000</u>	<u>12,900</u>
		<u>155,708</u>	<u>151,381</u>

Federal gas tax

The Community Works Fund Agreement (Gas Tax) funding is provided by the Government of Canada. The use of the funding is established by an agreement between the Municipality and the Union of British Columbia Municipalities. Funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects.

5.	Tangible capital assets	2014	2013
		\$	\$
	Land	402,594	349,954
	Buildings	2,987,598	3,068,953
	Automotive	20,732	7,734
	Fire Department equipment	333,832	358,968
	Office Equipment	5,878	7,838
	Tools & Equipment	59,605	61,729
	Parks & Recreation	818,385	861,273
	Roads and Sidewalks	289,069	297,828
	Biomass Heating System	68,754	-
	Water System	1,955,156	2,010,344
	Sewer System	<u>1,147,273</u>	<u>1,182,039</u>
		<u>8,088,876</u>	<u>8,206,660</u>

6. Equity in tangible capital assets
Equity in tangible capital assets (TCA) represents the net book value of total capital assets less long term obligations assumed to acquire those assets. The change in consolidated equity in tangible capital assets is as follows:

	2014	2013
Equity in tangible capital assets, beginning	8,206,660	8,449,592
Add: capital acquisitions	144,166	14,107
Less: dispositions	(2,756)	-
Less: amortization	<u>(259,194)</u>	<u>(257,039)</u>
Equity in tangible capital assets, ending	<u>8,088,876</u>	<u>8,206,660</u>

**VILLAGE OF PORT CLEMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

7. Reserves

	2014	2013
	\$	\$
Building reserve fund	4,261	4,261
Latecomers' fee reserve	9,369	9,369
Fire department reserve	5,500	3,000
Planning fund reserve	<u>3,595</u>	<u>3,594</u>
	<u>22,725</u>	<u>20,224</u>

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

8. Operating leases

Xerox

Quarterly payment of \$431.78 for the lease of the photocopier for the term February 1, 2012 to February 1, 2017.

9. Contingent liabilities and commitments

- a)** The municipality and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee 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 plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from local government.

The most recent actuarial valuation as at December 31, 2012 indicated \$1,370 million funding deficit for basic pension benefits. The next valuation will be at December 31, 2015 with the results available in 2016.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The Village of Port Clements paid \$19,994 (2013 - \$14,497) for employer contributions to the plan in fiscal 2014.

10. 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 approximates their carrying values.