



The Village of
PORT CLEMENTS
"Gateway to the Wilderness"

36 Cedar Avenue West
PO Box 198
Port Clements, BC
V0T1R0
Phone :250-557-4295
FAX :250-557-4568
Email : office@portclements.ca
Web : www.portclements.ca

1:30 PM Special Meeting of Council, Tuesday, May 11th, 2021

AGENDA

- 1. ADOPT AGENDA**
- 2. FINANCE**
F-1—2020 Financial Statements – FBB Accounting
- 3. ADJOURNMENT**

Village of Port Clements

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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MANAGEMENT'S RESPONSIBILITY

The information and representations in the consolidated financial statements are the responsibility of management and have been approved by the Mayor and Council of the Village of Port Clements. The consolidated financial statements were prepared by management in accordance with Canadian Public Sector Accounting Standards and, where necessary, reflect management's best estimates and judgements at this time. It is reasonably possible that circumstances may arise which cause actual results to differ. Management does not believe it is likely that any differences will be material.

The Village of Port Clements maintains systems of internal accounting controls, policies and procedures to provide reasonable assurances as to the reliability of the financial records and safeguarding of its assets.

The Mayor and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and are ultimately responsible for reviewing and approving the consolidated financial statements.

The consolidated financial statements have been reviewed and approved by the Mayor and Council. The consolidated financial statements have been audited by FBB Chartered Professional Accountants LLP, the independent auditors, whose report follows.

May 3, 2021
Port Clements, British Columbia

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council,
Village of Port Clements

Opinion

We have audited the financial statements of Village of Port Clements, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Village of Port Clements as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Village in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

Without modifying our opinion, we draw attention to Note 18 of these consolidated financial statements which outlines that the Village has recorded a prior period adjustment to reflect the correct amount of UBCM gas tax funds available as at December 31, 2019, which resulted in an increase in the accumulated surplus in the amount of \$29,413.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Village's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the municipality's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

May 3, 2021
Prince George, British Columbia

FBB Chartered Professional Accountants LLP

Village of Port Clements
Consolidated Statement of Financial Position
As at December 31, 2020

	<u>2020</u>	<u>2019</u> (restated)
Financial assets		
Cash and investments	\$ 5,921,245	\$ 5,157,756
Taxes and accounts receivable (note 2)	<u>269,503</u>	<u>130,844</u>
	<u>6,190,748</u>	<u>5,288,600</u>
Financial Liabilities		
Accounts payable and accrued liabilities (note 3)	99,345	51,855
Liability for contaminated site (note 14)	3,425,832	3,425,832
Deferred revenue (note 4)	<u>533,041</u>	<u>162,829</u>
	<u>4,058,218</u>	<u>3,640,516</u>
Net financial assets	<u>2,132,530</u>	<u>1,648,084</u>
Non-financial assets		
Property acquired for taxes	16,859	16,859
Prepaid expenses	67,594	71,228
Tangible capital assets (note 6)	<u>8,773,712</u>	<u>8,609,866</u>
	<u>8,858,165</u>	<u>8,697,953</u>
Accumulated Surplus (note 9)	<u>\$ 10,990,695</u>	<u>\$ 10,346,037</u>

Approved by the Mayor and Council

Village of Port Clements
Consolidated Statement of Operations
For the year ended December 31, 2020

	<u>2020</u> <u>Budget</u> (unaudited)	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u> (restated)
Revenue			
Property taxes	\$ 203,260	\$ 204,281	\$ 220,019
Grants in lieu	8,164	7,847	10,390
Sale of services	72,525	4,861	9,452
Revenue from own sources	156,812	220,740	244,251
Multi-purpose building rental	12,700	11,131	15,384
Unconditional grants	412,000	425,979	430,858
Conditional grants	1,331,724	1,008,900	2,222,900
Interest and penalties on taxes and user fees	32,500	154,406	91,706
Collections for other agencies	171,953	171,951	187,861
	<u>2,401,638</u>	<u>2,210,096</u>	<u>3,432,821</u>
Expenses			
Legislative	23,200	21,009	30,872
General administration	345,000	382,154	264,015
Emergency services	227,643	3,376	8,114
Protective services	54,460	42,274	43,914
Common services	45,850	32,590	32,472
Wharf	328,600	324,301	8,551
Small craft harbour	15,700	33,235	11,777
Roads and public works	63,850	49,956	47,628
Contaminated site remediation	-	-	3,456,260
Economic development	5,180	108,828	134,478
Parks, recreation and tourism	236,661	60,427	81,355
Water and sewer utility operations	153,824	115,798	149,418
Multi-purpose building maintenance	80,500	59,298	71,338
Fiscal services	2,305	1,766	1,425
Amortization	170,000	158,762	153,871
Payments to other agencies	171,953	171,664	187,862
	<u>1,924,726</u>	<u>1,565,438</u>	<u>4,683,350</u>
Annual Surplus	<u>476,912</u>	644,658	(1,250,529)
Accumulated surplus, beginning of year as restated (Note 18)		<u>10,346,037</u>	<u>11,596,566</u>
Accumulated surplus, end of year		<u>\$ 10,990,695</u>	<u>\$ 10,346,037</u>

Village of Port Clements

Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31, 2020

	<u>2020</u> <u>Budget</u> (unaudited)	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u> (restated)
Annual surplus	\$ 476,912	\$ 644,658	\$ (1,250,529)
Amortization	-	158,762	153,871
Change in property acquired for taxes	-	-	(7,670)
Change in prepaid expenses	-	3,634	(3,789)
Transfer (to) from reserve funds	387,599	-	-
Acquisition of tangible capital assets	<u>(864,511)</u>	<u>(322,608)</u>	<u>(274,521)</u>
Increase in net financial assets	<u>\$ -</u>	484,446	(1,382,638)
Net Financial Assets, beginning of year		<u>1,648,084</u>	<u>3,030,722</u>
Net Financial Assets, end of year		<u>\$ 2,132,530</u>	<u>\$ 1,648,084</u>

Village of Port Clements
Consolidated Statement of Cash Flows
For the year ended December 31, 2020

	<u>2020</u>	<u>2019</u> (restated)
NET INFLOW (OUTFLOW) OF CASH:		
Operating Activities		
Annual surplus	\$ 644,658	\$ (1,250,529)
Non-cash charges to operations		
Amortization	158,762	153,871
Liability for contaminated site	-	3,425,832
Changes in non-cash operating balances:		
Increase in taxes and accounts receivable	(138,659)	21,166
Increase (decrease) in accounts payable and accrued liabilities	47,490	(35,209)
Property acquired for taxes	-	(7,670)
Decrease in deferred revenue	370,212	110,012
Decrease in prepaid expenses	3,634	(3,789)
	<u>1,086,097</u>	<u>2,413,684</u>
Capital Activity		
Acquisition of tangible capital assets	<u>(322,608)</u>	<u>(274,521)</u>
Increase (decrease) in cash and investments	763,489	2,139,163
Cash and investments, beginning of year	<u>5,157,756</u>	<u>3,018,593</u>
Cash and investments, end of year	<u>\$ 5,921,245</u>	<u>\$ 5,157,756</u>

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Village of Port Clements

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

General

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

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

These consolidated financial statements reflect all revenues, expenses, assets and liabilities of the Village of Port Clements. It is the Village's policy to follow Canadian public sector accounting standards and apply such principles consistently. The consolidated financial statements have been prepared incorporating guidelines issued by the Public Sector Accounting Board (PSAB) of the CPA Canada Handbook as recommended by Municipal Affairs, Province of British Columbia.

The focus of Canadian public sector accounting standards is on the financial position of the Village and the changes thereto. The Consolidated Statement of Financial Position reflects the combined results and activities of the Village's Operating, Capital and Reserve Funds. The purposes of these funds are:

i. Operating Funds

Operating Funds are to be used to record the costs associated with providing Village services.

ii. Capital Funds

Capital Funds are used to account for the acquisition costs of the Village's Tangible Capital Assets, the accumulated amortization thereon, and the funding thereof including related long-term debt.

iii. Reserve Funds

Under the Local Government Act of the Province of British Columbia, the Mayor and Council of the Village may, by bylaw, establish Reserve Funds for specific purposes. Money in a Reserve Fund and interest thereon must be used only for the purpose for which the fund was established. If the amount in a Reserve Fund is greater than required, the Mayor and Council may, by bylaw, transfer all or part of the balance to another Reserve Fund.

Financial assets are economic resources controlled by the government as a result of past transactions from which future economic benefits may be obtained. Liabilities are present obligations of the government to others arising from past transactions, the settlement of which is expected to result in the future sacrifice of economic benefits.

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are recorded in the period in which goods and services are acquired and a liability is incurred.

Village of Port Clements

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Restricted Financial Assets

Restricted financial assets include assets held in trust to be expended only in accordance with the conditions of the trust, and amounts from reserve funds set aside for future debt retirement or for future capital expenditures.

c. 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 grants are recorded as revenue when specified conditions have been met. Unconditional grants are recorded when funding is received or receivable. Revenues received where conditions have not yet been met are recorded as deferred revenue.

d. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset, excluding all interest costs. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Assets under development or construction are not amortized until put into use.

Amortization is provided using the straight-line method at the estimated useful lives of the assets at the following rates:

Land	Nil
Buildings	20-150 years
Automotive	6-13 years
Fire department	10-30 years
Office equipment	15 years
Tools and equipment	4-20 years
Parks and recreation	3-100 years
Roads and sidewalks	20-40 years
Biomass heating system	50-70 years
Water system	4-140 years
Sewer system	165 years

e. Property acquired for taxes

Property acquired for taxes is recorded at acquisition cost.

Village of Port Clements

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates include: determination of accrued sick benefits, collectibility of accounts receivable, amortization of tangible capital assets, liability for contaminated site and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

g. Liability for contaminated sites

The Village recognizes a liability for contaminated sites as at the reporting date when:

- a) an environmental standard exists;
- b) contamination exceeds the environmental standard;
- c) the government:
 - (i) is directly responsible; or
 - (ii) accepts responsibility;
- (d) it is expected that future economic benefits will be given up; and
- (e) a reasonable estimate of the amount can be made.

An asset acquired as part of remediation is recorded as an expense if the asset has no alternate use.

2. TAXES AND ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Property taxes	\$ 44,815	\$ 42,839
Utilities	(3,373)	(3,596)
Sales taxes	33,374	23,339
Other receivables	<u>194,687</u>	<u>68,262</u>
	<u>\$ 269,503</u>	<u>\$ 130,844</u>

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Trade and accrued liabilities	\$ 96,818	\$ 50,767
Payroll and withholding taxes	<u>2,527</u>	<u>1,088</u>
	<u>\$ 99,345</u>	<u>\$ 51,855</u>

Village of Port Clements

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

4. DEFERRED REVENUE

	<u>2020</u>	<u>2019</u> (restated)
Federal Gas Tax Community Works	\$ 230,355	\$ 162,679
Province of B.C. - Sunset Trail	99,951	-
Province of B.C. - Trail Extension Study	10,000	-
Union of B.C. Municipalities - Flood Study	44,255	-
Covid-19 Restart Grant	148,000	-
Prepaid taxes, business licences, fitness memberships	480	150
	<u>\$ 533,041</u>	<u>\$ 162,829</u>

The Village is a participant under the Community Works Fund that provides for the Village's receiving Federal gas taxes transferred under the New Deal for Cities and Communities signed by the Union of BC Municipalities, the Province of British Columbia, and the Government of Canada. Although the Village has some latitude in determining which projects to pursue, the agreement provides that projects should address the reduction of greenhouse gas emissions, cleaner air and cleaner water.

5. BANK INDEBTEDNESS

The Village has a \$189,000 operating line of credit the Canadian Imperial Bank of Commerce bearing interest at bank prime (December 31, 2020 - 2.45%). The facility was unused as at December 31, 2020.

6. TANGIBLE CAPITAL ASSETS

			<u>2020</u>	<u>2019</u>
	Cost	Accumulated Amortization	Net Carrying Amount	
Land	\$ 466,958	\$ -	\$ 466,958	\$ 466,958
Buildings	3,818,933	902,825	2,916,108	2,956,237
Automotive	215,449	49,800	165,649	60,334
Fire department	546,175	309,685	236,490	262,762
Office equipment	36,180	15,142	21,038	19,606
Tools and equipment	71,175	41,758	29,417	33,812
Parks and recreation	1,122,401	252,363	870,038	884,554
Roads and sidewalks	487,359	141,585	345,774	361,006
Biomass heating system	414,148	71,053	343,095	352,673
Solar Panel	151,900	45,571	106,329	116,456
Water system	2,376,137	369,576	2,006,561	1,999,817
Sewer system	1,569,666	303,411	1,266,255	1,095,651
	<u>\$ 11,276,481</u>	<u>\$ 2,502,769</u>	<u>\$ 8,773,712</u>	<u>\$ 8,609,866</u>

Village of Port Clements
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

6. TANGIBLE CAPITAL ASSETS (continued)

Tangible Capital Asset Additions for the year are as follows:

	Cost January 1, 2020	Additions	Cost December 31, 2020
Land	\$ 466,958	\$ -	\$ 466,958
Buildings	3,818,933	-	3,818,933
Automotive	99,996	115,453	215,449
Fire department	546,175	-	546,175
Office equipment	34,389	1,791	36,180
Tools and equipment	70,019	1,156	71,175
Parks and recreation	1,122,401	-	1,122,401
Roads and sidewalks	487,359	-	487,359
Biomass heating system	414,148	-	414,148
Solar panel	151,900	-	151,900
Water system	2,350,961	25,176	2,376,137
Sewer system	1,390,634	179,032	1,569,666
	<u>\$ 10,953,873</u>	<u>\$ 322,608</u>	<u>\$ 11,276,481</u>

Amortization for the year is as follows:

	Balance January 1, 2020	Amortization	Balance December 31, 2020
Land	\$ -	\$ -	\$ -
Buildings	862,696	40,129	902,825
Automotive	39,662	10,138	49,800
Fire department	283,413	26,272	309,685
Office equipment	14,783	359	15,142
Tools and equipment	36,207	5,551	41,758
Parks and recreation	237,847	14,516	252,363
Roads and sidewalks	126,353	15,232	141,585
Biomass heating system	61,475	9,578	71,053
Solar panel	35,444	10,127	45,571
Water system	351,144	18,432	369,576
Sewer system	294,983	8,428	303,411
	<u>\$ 2,344,007</u>	<u>\$ 158,762</u>	<u>\$ 2,502,769</u>

Village of Port Clements

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

7. NET ASSETS INVESTED IN TANGIBLE CAPITAL ASSETS

	<u>2020</u>	<u>2019</u>
Net assets in tangible capital assets, beginning of year	\$ 8,609,866	\$ 8,489,216
Add: acquisition of tangible capital assets	322,608	274,521
Less: amortization	<u>(158,762)</u>	<u>(153,871)</u>
	<u>\$ 8,773,712</u>	<u>\$ 8,609,866</u>

8. RESERVE FUNDS

	<u>Balance January 1, 2020</u>	<u>Additions/ Funds used</u>	<u>Balance December 31, 2020</u>
Northern Capital and Planning Grant	\$ 2,115,326	\$ 91,452	\$ 2,206,778
Latecomer's fee reserve	9,369	-	9,369
Fire department reserve	5,500	-	5,500
Planning fund reserve	<u>3,595</u>	<u>-</u>	<u>3,595</u>
	<u>\$ 2,133,790</u>	<u>\$ 91,452</u>	<u>\$ 2,225,242</u>

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

9. ACCUMULATED SURPLUS

	<u>2020</u>	<u>2019</u> (restated)
General operating fund	\$ 2,434,363	\$ 1,907,025
Water system	624,498	613,860
Sewer system	(3,067,120)	(2,918,504)
Net assets invested in tangible capital assets (note 7)	8,773,712	8,609,866
Reserve funds (note 8)	<u>2,225,242</u>	<u>2,133,790</u>
	<u>\$ 10,990,695</u>	<u>\$ 10,346,037</u>

Village of Port Clements

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

10. COMMITMENTS AND CONTINGENCIES

- a. The Village is jointly and severally liable under the provisions of the Community Charter for any default on monies borrowed by the Village.

- b. Municipal Pension Plan

The Village 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 Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. The Plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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 actuary determines an appropriate combined employer and member contribution rate to the fund. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit. The most recent valuation as at December 2018 indicated a funding surplus of \$2,866 million for basic pension benefits on a going concern basis.

The next valuation will be December 31, 2021 with results available in 2022. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension accounting). This is because the Plan records accrued liabilities and assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and costs to the individual employers participating in the Plan.

The Village of Port Clements paid \$24,771 for employer contributions and \$22,111 in employee contributions to the Plan in the year ended December 31, 2020 (\$26,613 and \$19,370 - 2019).

11. ECONOMIC DEPENDENCE

The Village receives a significant portion of revenue from the Province of British Columbia through the government's Small Community Protection Program.

Village of Port Clements

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Village's financial instruments consist of cash and investments, taxes and accounts receivable, accounts payable and accrued liabilities and deferred revenue. Unless otherwise noted, it is management's opinion that the Village is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Village is exposed to financial risk that arises from the credit quality of the entities to which it provides services. Credit risk arises from the possibility that the entities to which the Village provides services may experience financial difficulty and be unable to fulfill their obligations. The Village mitigates this risk by dealing with counterparties management considers to be of high integrity.

The Village is exposed to interest rate risk arising from fluctuations in interest rates on its cash and investments. No financial instruments are held that mitigate this risk.

13. EXPENSES BY OBJECT

	<u>2020</u>	<u>2019</u>
Salaries, wages and benefits	\$ 342,125	\$ 278,528
Materials and supplies	104,352	72,722
Contracted services	85,176	72,001
Rent, maintenance and utilities	548,987	268,326
Mayor and council remuneration and travel	17,669	25,802
Insurance	32,718	32,002
Grants	102,223	134,548
Interest and bank charges	1,762	1,428
Amortization	158,762	153,871
Contaminated site remediation	-	3,456,260
Payment to other agencies	171,664	187,862
	<u>\$ 1,565,438</u>	<u>\$ 4,683,350</u>

Village of Port Clements

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

14. LIABILITY FOR CONTAMINATED SITES

The Village is aware of one potentially contaminated site on land the Village is responsible for. An old gas station site may require environmental remediation. The Village has no plans to redevelop or sell the property and has no future plans to remediate the property. Since there is no obligation to remediate the property or expected future outlay, no provision has been made in these financial statements. Should management become aware of any contaminated sites the Village is responsible for remediating, a liability for contaminated sites would be setup in accordance with PS3260.

During the year, the Village has exceeded environmental standards relating to its effluent discharge from its wastewater operations into the Masset Inlet which has been deemed hazardous to fish as per Environment Canada. As directed by Environment Canada, the Village has to remediate the effluent discharge fully or reduce to acceptable levels by September 2022. The Village has determined the only effective way to mitigate the issue is the construction of a new sewer lagoon and related wastewater facility. The Village has undertaken studies and quotation from professional contractors for the costs to extend the sewer lagoon and facilities and has recorded a liability for environmental contamination as follows:

Construction costs, with 3% inflation allowance for materials	\$ 2,535,984
Consultant costs (engineers, forester, monitor)	435,500
Other costs (federal and provincial required signage)	7,500
Contingency for cost overruns and unforeseen items (15%)	<u>446,848</u>
Provision for environmental remediation	<u>\$ 3,425,832</u>

During the year, the Village has also incurred \$30,428 in costs with respect to planning and preparation for this project. These items have been expensed in the year under Environmental remediation expenses in the statement of operations along with the above provision. The item is recorded as an expense rather than an asset since it has no alternate use as required by PS3260.45 and Note 2.

The Villages believes the above liability will be funded \$1,000,000 by the Village from a combination of reserves and surpluses and the additional \$2,425,832 will be funded by federal and provincial grants. The Village will apply for the relevant grants in the future and no receivable for federal or provincial grants related to the above liability have been recorded in these financial statements.

Village of Port Clements

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

15. BUDGETED FIGURES

The budget amounts presented throughout these consolidated financial statements are unaudited and represent the amended five year financial plan bylaw No. 461 approved by the Village Mayor and Council on December 21, 2020.

16. CONTINGENT LIABILITY

The Village is contingently liable for fines of \$500,000 to \$6,000,000 from Environment Canada should they not carry out the environmental remediation as disclosed in Note 14. The Village believes their remediation plan will be accepted by Environment Canada and the project will be completed before any fines are applied.

17. SUBSEQUENT EVENT

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At this time, these factors continue to present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

18. PRIOR PERIOD ADJUSTMENT

During the year, it was discovered that the balance of Community Works Gas Tax Funds available for use by the Village was \$29,413 higher than what was recorded for the year ended December 31, 2019. Management has retroactively restated the 2019 gas tax on hand as follows:

	<u>2020</u>	<u>2019</u>
Increase to conditional grants	\$ -	\$ 29,413
Decrease to deferred revenue	\$ -	\$ (29,413)
Increase to accumulated surplus, opening	\$ 29,413	\$ -
Accumulated surplus, beginning of year as previously stated		\$ 10,316,624
Prior period adjustment		<u>29,413</u>
Accumulated surplus, beginning of year as restated		<u>\$ 10,346,037</u>

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Mayor and Council,
Village of Port Clements,

We have audited and reported separately herein on the consolidated financial statement of the Village of Port Clements as at and for the year ended December 31, 2020.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

May 3, 2021
Prince George, British Columbia

FBB Chartered Professional Accountants LLP

Village of Port Clements

General Operating Fund - Statement of Financial Position

As at December 31, 2020

	<u>2020</u>	<u>2019</u> (restated)
Financial assets		
Cash and investments	\$ 5,921,245	\$ 5,157,756
Taxes and accounts receivable	269,503	130,844
	<u>6,190,748</u>	<u>5,288,600</u>
Financial Liabilities		
Accounts payable and accrued liabilities	99,345	51,855
Deferred revenue	533,041	162,829
Due to other funds	983,210	1,121,188
	<u>1,615,596</u>	<u>1,335,872</u>
Net financial assets	<u>4,575,152</u>	<u>3,952,728</u>
Non-financial assets		
Property acquired for taxes	16,859	16,859
Prepaid expenses	67,594	71,228
Tangible capital assets	5,500,896	5,514,398
	<u>5,585,349</u>	<u>5,602,485</u>
	<u>\$ 10,160,501</u>	<u>\$ 9,555,213</u>
Accumulated surplus		
Accumulated surplus	2,434,363	1,907,025
Equity in tangible capital assets	5,500,896	5,514,398
Reserves	2,225,242	2,133,790
	<u>\$ 10,160,501</u>	<u>\$ 9,555,213</u>

Village of Port Clements

General Operating Fund - Statement of Operations

For the year ended December 31, 2020

	2020 Budget (unaudited)	2020 Actual	2019 Actual (restated)
Revenue			
Property taxes	\$ 114,050	\$ 113,939	\$ 130,809
Grants in lieu	8,164	7,847	10,390
Sale of services	72,525	4,861	9,452
Revenue from own sources	94,780	131,382	153,846
Multi-purpose building rental	12,700	11,131	15,384
Unconditional grants	412,000	425,979	430,858
Conditional grants	1,331,724	1,008,900	2,222,900
Interest and penalties on taxes and user fees	-	152,078	89,328
Collections for other agencies	171,953	171,951	187,861
	<u>2,217,896</u>	<u>2,028,068</u>	<u>3,250,828</u>
Expenses			
Legislative	23,200	21,009	30,872
General administration	345,000	382,154	264,015
Emergency services	227,643	3,376	8,114
Protective services	54,460	42,274	43,914
Common services	45,850	32,590	32,472
Wharf	328,600	324,301	8,551
Small craft harbour	15,700	33,235	11,777
Roads and public works	63,850	49,956	47,628
Economic development	5,180	108,828	134,478
Parks, recreation and tourism	236,661	60,427	81,355
Multi-purpose building maintenance	80,500	59,298	71,338
Fiscal services	2,305	1,766	1,425
Amortization	170,000	131,902	127,011
Payments to other agencies	171,953	171,664	187,862
	<u>1,770,902</u>	<u>1,422,780</u>	<u>1,050,812</u>
Annual surplus	<u>446,994</u>	605,288	2,200,016
Transfer from reserves	417,517	-	-
Investment in tangible capital assets	(864,511)	-	-
Accumulated surplus, beginning of year		<u>9,555,213</u>	<u>7,355,197</u>
Accumulated surplus, end of year		<u>\$ 10,160,501</u>	<u>\$ 9,555,213</u>

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Village of Port Clements
Water System - Statement of Financial Position
As at December 31, 2020

	<u>2020</u>	<u>2019</u>
Financial assets		
Due from general operating fund	\$ 624,498	\$ 613,860
Non-financial assets		
Tangible capital assets	<u>2,006,561</u>	<u>1,999,817</u>
	<u>\$ 2,631,059</u>	<u>\$ 2,613,677</u>
Accumulated Surplus		
Accumulated surplus	\$ 624,498	\$ 613,860
Equity in tangible capital assets	<u>2,006,561</u>	<u>1,999,817</u>
	<u>\$ 2,631,059</u>	<u>\$ 2,613,677</u>

Village of Port Clements
Water System - Statement of Operations
For the year ended December 31, 2020

	<u>2020</u> <u>Budget</u> (unaudited)	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
Revenue			
User charges	\$ 58,323	\$ 58,149	\$ 58,323
Water frontage tax	52,155	52,640	52,155
Community works	-	-	-
Interest and other	2,378	2,328	2,378
	<u>112,856</u>	<u>113,117</u>	<u>112,856</u>
Expenses			
Administration	5,000	5,000	5,000
Amortization	26,000	18,432	18,432
Distribution	31,850	23,632	18,974
Repairs and maintenance	26,250	10,184	26,367
Wages and benefits	32,240	38,487	44,057
	<u>121,340</u>	<u>95,735</u>	<u>112,830</u>
Annual surplus (deficit)	<u>(8,484)</u>	17,382	26
Transfer from reserves	8,484		
Accumulated surplus, beginning of year		<u>2,613,677</u>	<u>2,613,651</u>
Accumulated surplus, end of year		<u>\$ 2,631,059</u>	<u>\$ 2,613,677</u>

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Village of Port Clements
Sewer System - Statement of Financial Position
As at December 31, 2020

	<u>2020</u>	<u>2019</u>
Financial assets		
Due from general operating fund	\$ 358,712	\$ 507,328
Financial Liabilities		
Liability for contaminated site	<u>3,425,832</u>	<u>3,425,832</u>
Net financial assets	<u>(3,067,120)</u>	<u>(2,918,504)</u>
Non-financial assets		
Tangible capital assets	<u>1,266,255</u>	<u>1,095,651</u>
	<u>1,266,255</u>	<u>1,095,651</u>
	<u>\$ (1,800,865)</u>	<u>\$ (1,822,853)</u>
Accumulated surplus		
Accumulated surplus	\$ (3,067,120)	\$ (2,918,504)
Equity in tangible capital assets	<u>1,266,255</u>	<u>1,095,651</u>
	<u>\$ (1,800,865)</u>	<u>\$ (1,822,853)</u>

Village of Port Clements
Sewer System - Statement of Operations
For the year ended December 31, 2020

	<u>2020</u> <u>Budget</u> <u>(unaudited)</u>	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
Revenue			
User charges	\$ 32,082	\$ 31,209	\$ 32,082
Sewer frontage tax	37,055	37,702	37,055
	<u>69,137</u>	<u>68,911</u>	<u>69,137</u>
Expenses			
Administration	3,000	3,000	3,000
Amortization	18,000	8,428	8,428
Contaminated site remediation	-	-	3,456,260
Operations	13,950	7,822	6,697
Repairs and maintenance	15,500	5,979	14,436
Sewer study	-	-	5,867
Wages and benefits	26,034	21,694	25,020
	<u>76,484</u>	<u>46,923</u>	<u>3,519,708</u>
Annual surplus (deficit)	<u>(7,347)</u>	21,988	(3,450,571)
Transfer from reserves	7,347		
Accumulated surplus, beginning of year		<u>(1,822,853)</u>	<u>1,627,718</u>
Accumulated surplus, end of year		<u>\$ (1,800,865)</u>	<u>\$ (1,822,853)</u>

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Village of Port Clements

Northern Capital and Planning Grant - Statement of Operations

For the year ended December 31, 2020

	<u>2020 Budget (unaudited)</u>	<u>2020 Actual</u>	<u>2019 Actual</u>
Revenue			
Northern Capital and Planning Grant	\$ -	\$ -	\$ 2,085,000
Interest	-	<u>91,452</u>	<u>30,326</u>
	-	91,452	2,115,326
Reserve funds, beginning of year		<u>2,115,326</u>	<u>-</u>
Reserve funds, end of year		<u>\$ 2,206,778</u>	<u>\$ 2,115,326</u>

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