

VILLAGE OF PORT ALICE
Financial Statements
December 31, 2019

VILLAGE OF PORT ALICE

Index to the Financial Statements

December 31, 2019

MANAGEMENT REPORT	1
INDEPENDENT AUDITORS' REPORT	2-3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Operations	5
Statement of Change in Net Financial Assets	6
Statement of Cash Flows	7
NOTES TO THE FINANCIAL STATEMENTS	8-19
SCHEDULES	
Schedule 1 - Government Grants and Transfers to the Village and Ratepayers	20
Schedule 2 - Combined Statement of Operations by Segment (2019)	21
Schedule 3 - Combined Statement of Operations by Segment (2018)	22
Schedule 4 - Reserve Fund Transactions	23

MANAGEMENT REPORT


December 31, 2019

The Council of the Village of Port Alice has delegated the responsibility for the integrity and objectivity of the financial information contained in the financial statements to the management of the Village of Port Alice. The financial statements which, in part, are based on informed judgments and estimates, have been prepared by management in accordance with Canadian public sector accounting standards, which have been applied on a basis consistent with that of the preceding year.

To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and that financial records are reliable for preparation of the financial statements. These systems are monitored and evaluated by management.

The Village of Port Alice's independent auditors, Chan Nowosad Boates Inc., Chartered Professional Accountants, are engaged to express an opinion as to whether these financial statements present fairly the Village of Port Alice's financial position and operating results in accordance with Canadian public sector accounting standards. Their opinion is based on procedures they consider sufficient to support such an opinion.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards. These statements present, in all significant respects the financial position of the Village of Port Alice as at December 31, 2019.



Ms. Bonnie Danyk
CAO, CFO

May 13, 2020



INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Village of Port Alice

Opinion

We have audited the accompanying financial statements of the Village of Port Alice (the "Village"), which comprise the statement of financial position as at December 31, 2019, the statement of operations and changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "financial statements").

In our opinion, the Village's financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2019, and of its financial performance and its cash flows for the year then ended. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

Emphasis of Matter

As at December 31, 2019 as well as the date of this audit report Neucel Specialty Cellulose had not paid their 2019 or 2018 assessed property taxes as well as other municipal tax amounts which totalled approximately \$1,816,999 at December 31, 2019. Management of the Village and the Village Mayor and Council have asserted that the receivable may not be collectible in full by way of future payment or the eventual tax sale of the land and associated buildings and assets on the land. As a result an allowance for the above described amount receivable has been provided for in full.

Management of the Village and the Village Mayor and Council assert that while the Village's largest tax payer has not paid their outstanding tax amount owing to the Village, that the Village has sufficient cash, investment resources and other sources of income to continue operations into the foreseeable future. Our audit opinion is not modified with respect to this matter.

Basis of 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 the ethical requirements that are relevant to our audit of the 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 of our opinion.

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

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

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 intends for the Village to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for over-seeing the Village's financial reporting process.


Auditors' Responsibilities for the Audit of the 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 the users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 for 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 Village'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 Village'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 Village 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.
- 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.



Chartered Professional Accountants
Campbell River, BC

May 13, 2020

Campbell River Office: 980 Alder Street, Campbell River, BC V9W 2P9 | Tel: 250.286.0744 | Fax: 250.286.1067 | Toll Free: 1.888.262.4829
Courtenay Office: #201 – 1532 Cliffe Avenue, Courtenay, BC V9N 2K4 | Tel: 778.225.1010 | Fax: 778.225.1011
Email: cnb@cnbcpa.ca | www.cnbcpa.ca

VILLAGE OF PORT ALICE

Statement of Financial Position

December 31, 2019

2019

2018

(Note 18)

\$

\$

FINANCIAL ASSETS

Cash	595,197	400,278
Portfolio Investments (Note 2)	2,869,636	3,021,262
Accounts Receivable (Note 3)	144,960	563,248
Taxes and User Fees Receivable (Note 4)	146,228	1,177,552
Investment in NICFL and NICFLP (Note 5)	<u>361,900</u>	<u>81,495</u>
	<u>4,117,921</u>	<u>5,243,835</u>

LIABILITIES

Accounts Payable and Accrued Liabilities	116,732	212,889
Deferred Grants and Unearned Revenue (Note 6)	30,968	47,892
Long Term Debt (Note 7)	<u>467,008</u>	<u>485,967</u>
	<u>614,708</u>	<u>746,748</u>

NET FINANCIAL ASSETS

3,503,213 4,497,087

NON-FINANCIAL ASSETS

Tangible Capital Assets (Note 9)	9,470,374	9,185,443
Inventory	<u>2,347</u>	<u>21,447</u>
	<u>9,472,721</u>	<u>9,206,890</u>

ACCUMULATED SURPLUS (Note 10)

12,975,934 13,703,977

Approved by:


Finance Officer


Mayor

VILLAGE OF PORT ALICE

Statement of Operations

Year Ended December 31, 2019

	2019		2018
	Budget \$	Actual \$	\$
	(Note 16)		(Note 18)
Revenues (Schedules 2 and 3)			
Taxation - Net (Note 11)	876,700	875,091	1,106,144
Utility Connection Fees and User Rates	203,000	208,077	201,485
Government Grants - Federal (Schedule 1)	4,000	74,459	334,694
Government Grants - Provincial (Schedule 1)	847,980	531,437	929,796
Sales of Services	73,500	106,262	93,628
Equity Income NICFLP and NICFL (Note 5)	-	989,018	40,500
Other (Note 12)	<u>120,500</u>	<u>253,357</u>	<u>204,152</u>
	<u>2,125,680</u>	<u>3,037,701</u>	<u>2,910,399</u>
Expenditures (Schedules 2 and 3)			
General Departmental Expenditures	1,651,895	3,441,366	1,646,353
Water System Operations	73,518	66,831	80,521
Sewer System Operations	<u>239,361</u>	<u>262,257</u>	<u>181,254</u>
	<u>1,964,774</u>	<u>3,770,454</u>	<u>1,908,128</u>
Annual Surplus (Deficit) Prior to Other Items	160,906	(732,753)	1,002,271
Gain on Disposal of Inventory	-	4,710	-
Loss on Disposal of Tangible Capital Assets	-	-	<u>(153,878)</u>
Annual Surplus (Deficit)	<u>160,906</u>	<u>(728,043)</u>	848,393
Accumulated Surplus - Beginning of Year as Previously Stated		13,762,980	12,963,893
Prior Period Adjustment (Note 18)		<u>(59,003)</u>	<u>(108,309)</u>
Accumulated Surplus - Beginning of Year as Restated		<u>13,703,977</u>	<u>12,855,584</u>
Accumulated Surplus - End of Year		<u>12,975,934</u>	<u>13,703,977</u>

CHAN NOWOSAD BOATES
CHARTERED PROFESSIONAL ACCOUNTANTS

VILLAGE OF PORT ALICE

Statement of Change in Net Financial Assets

Year Ended December 31, 2019

	2019		2018
	Budget	Actual	
	\$	\$	\$
	(Note 16)		(Note 18)
Annual Surplus (Deficit)	160,906	(728,043)	848,393
Acquisition of Tangible Capital Assets	(1,002,000)	(723,005)	(1,037,184)
Amortization of Tangible Capital Assets	438,074	438,074	369,219
Loss on Disposal of Tangible Capital Assets	-	-	153,878
Sale (Acquisition) of Inventory	-	19,100	(19,100)
	<u>(403,020)</u>	<u>(265,831)</u>	<u>(533,187)</u>
Change in Net Financial Assets for the Year	<u>(242,114)</u>	<u>(993,874)</u>	315,206
Net Financial Assets - Beginning of Year		<u>4,497,087</u>	<u>4,181,881</u>
Net Financial Assets - End of Year		<u>3,503,213</u>	<u>4,497,087</u>

VILLAGE OF PORT ALICE

Statement of Cash Flows

Year Ended December 31, 2019

	2019	2018 (Note 18)
	\$	\$
Cash Flows From Operating Activities:		
Annual Surplus (Deficit)	(728,043)	848,393
Items Not Involving Cash		
Equity Income NICFLP and NICFI	(989,018)	(40,500)
Amortization of Tangible Capital Assets	<u>438,074</u>	<u>369,219</u>
	(1,278,987)	1,177,112
Changes in Non-Cash Operating Balances		
Accounts and Taxes Receivable	1,449,612	(1,146,539)
Accounts Payable and Accrued Liabilities	(96,157)	(22,498)
Deferred Grants and Unearned Revenue	(16,924)	(41,452)
Inventory	<u>19,100</u>	<u>(19,100)</u>
	<u>76,644</u>	<u>(52,477)</u>
Cash Flows From Capital Activities:		
Purchase of Tangible Capital Assets	(723,005)	(1,037,184)
Loss on Disposal of Tangible Assets	<u>-</u>	<u>153,878</u>
	<u>(723,005)</u>	<u>(883,306)</u>
Cash Flows From Investing Activities:		
Proceeds from Portfolio Investments	151,626	255,860
Transfers from North Island Community Forest	<u>708,613</u>	<u>-</u>
	<u>860,239</u>	<u>255,860</u>
Cash Flows From Financing Activities:		
Repayment of Long Term Debt	<u>(18,959)</u>	<u>(17,529)</u>
Increase (Decrease) in Cash and Cash Equivalents	194,919	(697,452)
Cash and Cash Equivalents - Beginning of Year	<u>400,278</u>	<u>1,097,730</u>
Cash and Cash Equivalents - End of Year	<u>595,197</u>	<u>400,278</u>

CHAN NOWOSAD BOATES
CHARTERED PROFESSIONAL ACCOUNTANTS

VILLAGE OF PORT ALICE

Notes to the Financial Statements

December 31, 2019

The Village of Port Alice (the "Village") was incorporated as a municipality in 1965 under the provisions of the British Columbia Municipal Act. Its principal activities are the provision of local government services to the residents of the Village. These services include fire protection, public works, planning, parks and recreation, water distribution and sewer collection, and other general government services, as governed by the Community Charter and Local Government Act.

1. Significant Accounting Policies:

a) Basis of Presentation:

The Village prepares its financial statements in accordance with Canadian public sector accounting standards using guidelines developed by the Public Sector Accounting Board ("PSAB") for the Chartered Professional Accountants of Canada.

b) Investments:

Portfolio investments are recorded at fair value. The investments in Island Community Forest Ltd. and North Island Community Forest Limited Partnership are recorded using the modified equity method.

c) Tangible Capital Assets:

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Amortization is recorded on a straight-line basis over the estimated useful life of the tangible capital asset commencing once the asset is in use. Donated tangible capital assets are recorded at fair value at the time of the donation.

Estimated useful lives of tangible capital assets are as follows:

Buildings	40 to 75 years
Equipment	15 to 25 years
Roads and Bridges	10 to 100 years
Other	15 to 50 years
Water and Other Utility Systems	10 to 100 years
Sewer	10 to 100 years
Drainage	10 to 100 years

d) Collection of Taxes on Behalf of Other Taxation Authorities:

The Village collects taxation on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of these other entities are not reflected in these financial statements. Levies imposed by other taxing authorities are not included as taxes for municipal purposes.

e) Trust Funds:

Trust funds held in trust by the Village, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately (Note 14).

f) Retirement Benefits and Other Future Employee Benefit Plans:

The Village's contributions to its multi-employer defined benefit plan are expensed as incurred. The costs of other pensions and other retirement benefits that accumulate over the period of service provided by employees are determined using the projected benefit method prorated on services based on management's best estimate of retirement age, inflation rates, investment returns, wage and salary escalation, insurance and health care cost trends, employee turnover, and discount rates.

VILLAGE OF PORT ALICE

Notes to the Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued):

g) Revenue Recognition and Deferred Grants:

The Village recognizes taxes as assets and revenue when they meet the definition of an asset, are authorized by a legislature, council, or legislative convention, and the taxable event has occurred. Taxes are initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with tax legislation. Taxes receivable are recognized net of allowance for anticipated uncollectible amounts.

Through the British Columbia Assessment's appeal process, taxes may be adjusted by way of supplementary roll adjustments. The effects of these adjustments on taxes are recognized at the time they are awarded. Levies imposed by regional district services and general administrative service and other taxing authorities are not included as taxes for municipal services.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Government transfers, including legislative grants, are recognized as revenue when received, provided the transfers are authorized and any eligibility criteria has been met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfer revenue is recognized on the Statement of Operations as the stipulation liabilities are settled.

Sales of services and other revenue are recognized when the service is provided or the amount is earned, when the amount can be estimated, and when collection is reasonably assured. Amounts received in advance of services being rendered are recorded as unearned revenue until the Village discharges the obligation that led to the collection of the funds.

h) Unearned Revenue:

Revenues from prepaid taxes, the sale of business licenses, dog tags, recreation time and rental revenues pertaining to the subsequent year have been deferred. These amounts will be recognized as revenue in the next fiscal year.

i) Leases:

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Assets recorded under capital leases are amortized on a straight line basis over the term of the lease that is the estimated useful lives of the assets. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

j) Contaminated Sites:

Governments are required to accrue a liability for the costs to remediate a contaminated site. Liabilities are recognized when an environmental standard exists, contamination exceeds the standards, the government has responsibility for the remediation, future economic benefits will be given up and a reasonable estimate can be made.

Management has assessed its potential liabilities under the new standard including sites that are no longer in productive use and sites which the Village accepts responsibility. There were no such sites that had contamination in excess of an environmental standard which required remediation, therefore no liability was recognized as at December 31, 2019 or December 31, 2018.

VILLAGE OF PORT ALICE

Notes to the Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued):

k) Financial Instruments:

Financial instruments consist of cash and portfolio investments, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Village is not exposed to significant interest rate, currency or credit risk arising from these financial instruments.

l) Use of Estimates:

The preparation of 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 and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of management estimates relates to the collectability of accounts receivable, valuation of investments, estimates of contingent liabilities, and the provision for amortization and the estimation of potential environmental liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Portfolio Investments:

	<u>2019</u>	<u>2018</u>
	\$	\$
Bank of Nova Scotia Business Investment Account	1,801,979	1,973,112
Money Market Funds - Municipal Finance Authority (MFA)	<u>1,067,657</u>	<u>1,048,150</u>
	<u>2,869,636</u>	<u>3,021,262</u>

The current average annual yield of the money market funds held with MFA as at December 31, 2019 was 1.86% (2018 - 1.65%). The funds are redeemable on demand. The investment held with the Bank of Nova Scotia is redeemable on demand and yields an annual average interest rate of 1.25% (2018 - 1.10%). These investments are carried at market value.

3. Accounts Receivable:

	<u>2019</u>	<u>2018</u>
	\$	\$
Government Transfers Receivable	75,110	462,374
Trade Receivable	5,966	7,464
GST Recoverable	63,518	92,810
Sundry	<u>366</u>	<u>600</u>
	<u>144,960</u>	<u>563,248</u>

VILLAGE OF PORT ALICE

Notes to the Financial Statements

December 31, 2019

4. Taxes and User Fees Receivable:

	2019	2018
	\$	\$
Taxes Receivable	1,963,556	1,177,690
Allowance for Doubtful Accounts	<u>(1,817,328)</u>	<u>(138)</u>
	<u>146,228</u>	<u>1,177,552</u>

5. Investment in NICFL and NICFLP:

The Village has a 33% ownership interest in North Island Community Forest Ltd. (NICFL) and North Island Community Forest Limited Partnership (NICFLP). The investments in NICFLP and NICFL are reported as a government business enterprise and accounted for using the modified equity method. Under this method, the government businesses' accounting principles are not adjusted to conform with those of the Village and inter-corporate transactions are not eliminated.

As a government business enterprise, the NICFLP is required to report under International Financial Reporting Standards (IFRS). In the prior and current year, the NICFLP financial statements were prepared under Canadian Accounting Standards for Private Enterprises (ASPE). Any differences between ASPE and IFRS would likely be insignificant in nature.

	2019	2018
	\$	\$
Investment in NICFL	1	1
Investment in NICFLP	5,000	5,000
Accumulated Net Equity Surplus - Beginning of Year	76,494	35,994
Share of Increase in Shareholders' Equity	989,018	40,500
Withdrawals During the Year	<u>(708,613)</u>	<u>-</u>
Accumulated Net Equity Surplus - End of Year	<u>361,900</u>	<u>81,495</u>

The condensed supplementary financial statement information of the partnership is as follows:

	2019	2018
	\$	\$
Statement of Financial Position:		
Assets		
Cash and Receivables	<u>1,132,061</u>	<u>286,576</u>
Liabilities and Partners' Capital		
Trade and Other Payables	46,357	42,088
Total Partners' Capital	<u>1,085,704</u>	<u>244,488</u>
	<u>1,132,061</u>	<u>286,576</u>

VILLAGE OF PORT ALICE

Notes to the Financial Statements

December 31, 2019

5. Investment in NICFL and NICFLP (continued):

The condensed supplementary financial statement information of the partnership is as follows (continued):

	<u>2019</u>	<u>2018</u>
	\$	\$
Statement of Comprehensive Income:		
Revenue	3,029,866	151,215
Expenditures	<u>62,813</u>	<u>51,742</u>
Net Income	<u>2,967,053</u>	<u>99,473</u>
Partners' Capital:		
Partnership Units	65,491	37,819
Cumulative Withdrawals	(5,678,029)	(3,552,192)
Retained Earnings - End of Year	<u>6,698,241</u>	<u>3,758,860</u>
	<u>1,085,704</u>	<u>244,488</u>

6. Deferred Grants and Unearned Revenue:

	<u>2019</u>	<u>2018</u>
	\$	\$
Prepaid Property Taxes	19,897	17,817
Provincial Government	6,500	18,446
Community Centre Deposits	4,571	4,351
Rural Dividend Grant	-	7,278
Tax Sale Proceeds	-	-
	<u>30,968</u>	<u>47,892</u>

7. Long Term Debt:

	<u>2019</u>	<u>2018</u>
	\$	\$
Community Centre Upgrade:		
Repayable at \$33,907 per year including interest at 2.0% per annum to the Municipal Financial Authority of British Columbia; Matures in October 2036	<u>467,008</u>	<u>485,967</u>

Future principal payments required on long-term debt are as follows:

	\$
2020	19,718
2021	20,506
2022	21,326
2023	22,179
2024	23,066
2025 and onwards	<u>360,213</u>
	<u>467,008</u>

VILLAGE OF PORT ALICE

Notes to the Financial Statements

December 31, 2019

8. Contingent Liabilities:

- (a) The Village is responsible as a member of the Regional District of Mount Waddington for its share of any operating deficits or long-term debt related to functions in which it participates. Management has assessed the risks as unlikely at this time therefore no provision has been recorded in the financial statements.
- (b) The Village is partially self-insured through the Municipal Insurance Association of British Columbia. Should the Association pay out claims in excess of premiums received, it is possible that the Village along with the other participants, would be required to contribute towards the deficit.

9. Tangible Capital Assets:

	Cost					Accumulated Amortization				Net Book Value	
	Opening \$	Additions \$	Disposals \$	Transfers \$	Closing \$	Opening \$	Amort \$	Disposals \$	Closing \$	2019 \$	2018 \$
Land	841,186	-	-	-	841,186	-	-	-	-	841,186	841,186
Buildings	3,859,093	-	-	-	3,859,093	2,185,226	127,424	-	2,312,650	1,546,443	1,673,867
Equipment	1,332,948	70,013	-	-	1,402,961	814,889	67,768	-	882,657	520,304	518,059
Roads and Bridges	3,929,815	-	-	-	3,929,815	2,399,924	74,015	-	2,473,939	1,455,876	1,529,891
Other	1,096,535	-	-	-	1,096,535	394,384	47,188	-	441,572	654,963	702,151
Water Infrastructure	1,451,936	-	-	-	1,451,936	362,363	20,218	-	382,581	1,069,355	1,089,573
Sewer Infrastructure	1,945,699	398,273	-	966,884	3,310,856	717,036	96,842	-	813,878	2,496,978	1,228,663
Drainage	330,869	-	-	-	330,869	219,374	4,619	-	223,993	106,876	111,495
Work in Progress	<u>1,490,558</u>	<u>254,719</u>	-	<u>(966,884)</u>	<u>778,393</u>	-	-	-	-	<u>778,393</u>	<u>1,490,558</u>
	<u>16,278,639</u>	<u>723,005</u>	-	-	<u>17,001,644</u>	<u>7,093,196</u>	<u>438,074</u>	-	<u>7,531,270</u>	<u>9,470,374</u>	<u>9,185,443</u>

VILLAGE OF PORT ALICE

Notes to the Financial Statements

December 31, 2019

10. Accumulated Surplus:

The Village segregates its accumulated surplus into the following categories:

	<u>2019</u>	<u>2018</u>
	\$	\$
Current Fund	2,254,966	3,462,800
Reserve Funds (a)	1,248,247	1,034,287
Investment in Non-Financial Assets (b)	<u>9,472,721</u>	<u>9,206,890</u>
	<u>12,975,934</u>	<u>13,703,977</u>

(a) **Reserve Funds**

Reserve Funds represent funds set aside by Bylaw or Council resolution for specific purposes. Details of reserve funds are shown below.

(b) **Investment in Non-Financial Assets**

The investment in non-financial assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Details of Reserve Funds are as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Capital Works Reserve (a)	243,791	234,792
Statutory Reserve (b)	115,603	113,529
Fire Protection Capital Reserve (c)	116,071	105,060
Gas Tax Treatment - Community Works (d)	<u>772,782</u>	<u>580,906</u>
	<u>1,248,247</u>	<u>1,034,287</u>

(a) **Capital Works Reserve**

The Capital Works Reserve was established by Bylaw 487 to provide for new works, extensions or renewals of existing works, and to provide for machinery and equipment necessary for capital projects, for the maintenance of municipal property, or for the protection of persons and property. Money from the sale of land, current revenue, or from the General Operating fund surpluses may be paid into the Capital Works Reserve.

(b) **Statutory Reserve**

The Statutory Reserve was established by Bylaw 528 for the purpose of setting aside funds on an annual basis to purchase machinery and equipment.

(c) **Fire Protection Capital Reserve**

The Fire Protection Capital Reserve was established by Bylaw 607 for the purpose of setting aside funds on an annual basis to purchase fire protection equipment.

(d) **Gas Tax Agreement - Community Works**

The Gas Tax Agreement - Community Works consists of \$772,782 that remained unspent as at December 31, 2019 plus additional receipts of \$173,769 (2018 - \$90,695) and interest earnings of \$10,449 (2018 - \$5,182) in 2019. During 2019 eligible expenditures of \$30,868 were made (2018 - \$28,817). The unspent amount will remain in the reserve until spent on eligible projects.

CHAN NOWOSAD BOATES
CHARTERED PROFESSIONAL ACCOUNTANTS

VILLAGE OF PORT ALICE

Notes to the Financial Statements

December 31, 2019

11. Taxation - Net:

	Budget 2019	2019	2018
	\$	\$	\$
General Municipal Purposes	876,700	873,678	1,103,774
Collections for Other Governments			
Regional District of Mt. Waddington	-	127,841	125,764
Province of British Columbia - School Tax	-	307,859	316,691
Regional Hospital District	-	51,050	50,870
Municipal Finance Authority	-	33	32
British Columbia Assessment Authority	-	17,058	17,362
Province of BC - Police Tax	-	49,806	49,758
	<u>876,700</u>	<u>1,427,325</u>	<u>1,664,251</u>
Transfers			
Regional District of Mt. Waddington	-	127,841	125,772
Province of British Columbia - School Tax	-	306,446	314,310
Regional Hospital Districts	-	51,050	50,873
Municipal Finance Authority	-	33	32
British Columbia Assessment Authority	-	17,058	17,362
Province of BC - Police Tax	-	49,806	49,758
	<u>-</u>	<u>552,234</u>	<u>558,107</u>
Available for General Municipal Purposes	<u>876,700</u>	<u>875,091</u>	<u>1,106,144</u>

12. Other Revenue:

	2019	2018
	\$	\$
Investment Income	57,907	44,206
Tax Penalties - Interest and Fees	147,867	106,516
Parking and Moorage	20,824	14,389
Recreation	4,187	4,828
Business Licenses	4,630	5,195
Other	17,942	29,018
	<u>253,357</u>	<u>204,152</u>

VILLAGE OF PORT ALICE

Notes to the Financial Statements

December 31, 2019

13. Pension Plan:

The Village and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly-trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of the benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2018 the Plan had about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 contributors from local government.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. 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 for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Village paid \$39,083 (2018 - \$42,158) for employer contributions, while employees contributed \$34,889 (2018 - \$37,971) to the Plan in fiscal 2019.

The next valuation will be as at December 31, 2021, with results available in 2022.

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

14. Trust Funds:

(a) **Ford Memorial Trust Fund**

As at December 31, 2019, the Village held \$6,450 (2018 - \$9,250) in trust for the Ford Memorial Trust Fund. The transactions and balances of this fund are not reported elsewhere in these financial statements.

(b) **Cemetery Trust Fund**

The Cemetery Reserve is established pursuant to the provision of the Community Charter. Monies in the reserve can be used for cemetery purposes only. A balance of \$1,770 (2018 - \$1,770) was held as at December 31, 2019 and is not reported elsewhere in these financial statements.

15. Commitments:

The Village has entered into an agreement for services with North Island Waste Management Limited for residential garbage pick up and disposal services at an approximate average annual cost of \$76,000. The five year contract expires July 15, 2020 and has no option to renew.

VILLAGE OF PORT ALICE

Notes to the Financial Statements

December 31, 2019

16. Fiscal Plan:

The Fiscal Plan amounts represent the Financial Plan Bylaw adopted by Council on April 24, 2019.

The budget anticipated use of surpluses accumulated in previous years to balance against current expenditures in excess of current year revenues. In addition, the budget anticipated capital expenditures rather than amortization expense. The following schedule reconciles the approved Bylaw to the amounts presented in the financial statements.

	<u>2019</u>
	\$
Financial Plan (Budget) By-Law Approved for the Year	-
Add:	
Capital Expenditures	1,002,000
Less:	
Budgeted Transfers from Accumulated Surplus	(403,020)
Amortization	<u>(438,074)</u>
Annual Surplus Presented in Financial Statements	<u>160,906</u>

17. Segmented Information:

The Village is a diversified municipal government institution that provides a wide range of services to its citizens such as recreation, fire, sewer, water, and solid waste. Distinguishable functional segments have been separately disclosed in the segmented information in Schedules 2 and 3. The nature of the segments and activities they encompass are as follows:

General Government

General Government relates to the revenues and expenses of the operations of the Village public safety building and other costs that cannot be directly attributed to a specific segment, including general, administrative, legislative, and fiscal services.

Volunteer Fire Department

Volunteer Fire Department is comprised of fire protection services. The fire department is responsible to provide fire suppression services, fire prevention programs, training and education. The members of the fire department consist of volunteers.

Public Works Department

The Public Works Department is responsible for the maintenance of roads, parks and playgrounds, the cemetery, and street lighting services.

Environmental Health Services

Environmental Health Services is comprised of municipal and contract services. The Village and the contractors work with other levels of government, at the Provincial and Regional levels, and the citizens to provide a safe healthy environment for the people and wildlife.

Recreation Services, Arena, Community Centre and Sea View Activity Centre

These service areas provide services meant to improve health and development of the Village's citizens. Recreational programs and cultural programs are provided at the Arena, Community Centre, and the Angus Dawson Memorial Ball Field.

VILLAGE OF PORT ALICE

Notes to the Financial Statements

December 31, 2019

17. Segmented Information (continued):

Water Utility

Water Utility provides distribution of water to residents.

Sewer Utility

Sewer Utility includes the provision of sanitary sewer collection by providing and maintaining pipes, manholes, culverts and sewer treatment.

18. Prior Period Adjustments:

In the current year, the Village determined that certain classes of capital assets had not been amortized according to the Village policy. The Village also determined that eligible expenditures for the UBCM Emergency Social Services grant received in the current year had been incurred in fiscal 2018 and the receivable had not been appropriately recorded. As a result, the Village has elected to correct these issues by making the following adjustments:

- (a) To adjust amortization and capital asset balances to agree to the schedule maintained by the Village as at December 31, 2017, the Village adjusted Capital Asset Cost, Capital Asset Accumulated Amortization, and closing Accumulated Surplus. Adjustments resulted in a net decrease to Tangible Capital Assets and Opening Accumulated Surplus of \$105,119.
- (b) To adjust amortization and capital asset balances to agree to the schedule maintained by the Village as at December 31, 2018, the Village adjusted Capital Asset Cost, Capital Asset Accumulated Amortization, and closing Accumulated Surplus. Adjustments Resulted in a net increase to Tangible Capital Assets of \$35,096, amortization expense decreased by \$32,330 and Accumulated Surplus Decreased by \$3,190.
- (c) To recognize UBCM Emergency Social Services grant funding revenue and the balance receivable as at December 31, 2018, the Village has adjusted Revenues and Accounts Receivable and as a result, the closing Accumulated Surplus balance has increased. Provincial Grant Revenue and Accounts Receivable each increased by \$16,976.

As a result of the above adjustments, the net impact on the December 31, 2018 balances are as follows:

	Reported 2018 \$	Roads \$	Water \$	Sewer \$	Buildings \$	Other \$	UBCM \$	Adjusted 2018 \$
Statement of Financial Position								
Tangible Capital Assets	9,261,422	(56,216)	29,114	(45,688)	2,767	(5,956)	-	9,185,443
Accumulated Surplus - Opening	(12,963,893)	56,216	3,216	45,688	(2,767)	5,956	-	(12,855,584)
Accounts Receivable	546,272	-	-	-	-	-	16,976	563,248
		-	32,330	-	-	-	16,976	
Statement of Operations								
Government Grants - Provincial	912,820	-	-	-	-	-	16,976	929,796
Expenditures - Water System Operations	112,851	-	(32,330)	-	-	-	-	80,521
Surplus	799,087	-	32,330	-	-	-	16,976	848,393

Certain 2018 comparative figures have been reclassified, where necessary, to conform with the financial statement presentation adopted in the current year.

VILLAGE OF PORT ALICE

Notes to the Financial Statements

December 31, 2019

19. Subsequent Events:

The Village evaluated its December 31, 2019 financial statements for subsequent events to the date the financial statements were issued. As of this date, the global outbreak of the coronavirus disease (COVID-19) has caused economic uncertainties that are likely to have a material negative impact on the net income of the Village for the year ending December 31, 2020.

The COVID-19 outbreak has caused business disruptions through the reduction of non-essential services provided by the Village. While the disruption is expected to be temporary and the Village continues to provide essential services, there is considerable uncertainty regarding the duration of the disruption to non-essential services. Additionally, there is uncertainty regarding the collectability of taxation revenues for the year ending December 31, 2020 as the effect of the pandemic on the residents of the Village and the economy as a whole is not yet known. The extent that the effects of COVID-19 may have on the Village and its operations during the year ending December 31, 2020 cannot be determined at this time.

On April 14, 2020 the Supreme Court of British Columbia granted an Order declaring Neucel Specialty Cellulose Ltd. bankrupt. On this date, the court also appointed PricewaterhouseCoopers Inc. as a Trustee in bankruptcy and as Receiver of the assets, undertakings and properties of Neucel. No impact on the fiscal 2020 net income of the Village is anticipated as a result of this bankruptcy order, as all receivables for Neucel have been deemed uncollectible at the end of the current year and allowed for.

VILLAGE OF PORT ALICE

Schedule 1 - Government Grants to the Village and Ratepayers

Year Ended December 31, 2019

	2019		2018
	Budget	Actual	
	\$	\$	\$
Federal Government			
Grants in Lieu of Taxes	4,000	5,126	4,352
Water Capital Fund			
Water Tank	-	-	198,005
Sewer Capital Fund			
Building Canada Fund	-	69,333	132,337
	<u>4,000</u>	<u>74,459</u>	<u>334,694</u>
Province of British Columbia			
General Fund			
Small Communities Protection	310,000	326,590	318,559
Rural Dividend Grant	-	19,224	486,939
Other	12,000	11,854	33,603
	<u>322,000</u>	<u>357,668</u>	<u>839,101</u>
General Capital Fund			
Gas Tax	86,000	173,769	90,695
Water Reservoir	439,980	-	-
	<u>525,980</u>	<u>173,769</u>	<u>90,695</u>
	<u>847,980</u>	<u>531,437</u>	<u>929,796</u>

VILLAGE OF PORT ALICE

Schedule 2 - Combined Statement of Operations by Segment Year Ended December 31, 2019

	General Government	Volunteer Fire Department	Public Works Department	Environmental Health Services	Recreation Services	Arena	Community Centre	Sea View Activity Centre	Water Utility	Sewer Utility	2019 Actual	2019 Plan (Plus / Min)
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues												
General Taxes	875,091	-	-	-	-	-	-	-	-	-	875,091	876,700
Grants - Federal	74,459	-	-	-	-	-	-	-	-	-	74,459	4,000
Grants - Provincial	531,437	-	-	-	-	-	-	-	-	-	531,437	847,980
Utility Charges	-	-	-	-	-	-	-	64,717	143,360	-	208,077	203,000
Sales of Services	-	-	-	67,072	28,700	10,490	-	-	-	-	106,262	73,500
Other Revenue	247,882	-	-	-	-	-	-	5,729	246	-	253,357	120,500
Equity Income from North Island Community Forest	289,018	-	-	-	-	-	-	-	-	-	289,018	-
	<u>2,717,887</u>	-	-	<u>67,072</u>	<u>28,700</u>	<u>10,490</u>	-	<u>69,946</u>	<u>143,606</u>	-	<u>3,037,701</u>	<u>2,125,680</u>
Expenditures												
Goods and Services	1,932,163	36,684	153,433	109,898	47,844	61,793	11,834	3,011	33,505	132,878	2,553,645	740,010
Labour	264,357	20,371	253,517	47,176	98,669	17,672	15,974	-	12,868	27,918	758,597	747,800
Interest and Bank Charges	5,190	-	-	-	-	-	14,948	-	-	-	20,138	38,900
Amortization	115,013	25,365	32,506	409	6,727	36,136	99,239	-	20,318	101,461	438,074	438,074
	<u>4,316,252</u>	<u>82,320</u>	<u>439,451</u>	<u>157,483</u>	<u>153,230</u>	<u>113,621</u>	<u>127,691</u>	<u>1,013</u>	<u>66,691</u>	<u>262,257</u>	<u>3,779,454</u>	<u>1,964,774</u>
Gain on Disposition of Property	400,974	(82,320)	(439,451)	(90,411)	(125,500)	(105,133)	(132,695)	(1,613)	3,115	(118,651)	(732,753)	160,906
	<u>4,710</u>	-	-	-	-	-	-	-	-	-	<u>4,710</u>	-
Annual Surplus (Deficit)	<u>105,644</u>	<u>(82,320)</u>	<u>(439,451)</u>	<u>(90,411)</u>	<u>(125,500)</u>	<u>(105,133)</u>	<u>(122,695)</u>	<u>(1,613)</u>	<u>3,115</u>	<u>(118,651)</u>	<u>(728,043)</u>	<u>160,206</u>

CHAN NOWOSAD BOATES
CHARTERED PROFESSIONAL ACCOUNTANTS

VILLAGE OF PORT ALICE

Schedule 3 - Combined Statement of Operations by Segment Year Ended December 31, 2018

	General Government	Volunteer Fire Department	Public Works Department	Environmental Health Services	Recreation Services	Arcata	Community Centre	Sea View Activity Centre	Water Utility	Sewer Utility	2018 Actual	2018 Plan
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues												
General Taxes	1,106,144	-	-	-	-	-	-	-	-	-	1,106,144	1,105,860
Grants - Federal	334,694	-	-	-	-	-	-	-	-	-	334,694	4,000
Grants - Provincial	929,796	-	-	-	-	-	-	-	-	-	929,796	936,180
Utility Charges	-	-	-	64,760	21,734	7,134	-	-	64,958	136,327	201,485	199,000
Sales of Services	-	-	-	-	-	-	-	-	-	-	93,628	69,300
Other Revenue	196,761	-	-	-	-	-	-	-	4,613	2,776	204,152	101,900
Equity Income (Loss) from North Island Community Forest	(40,500)	-	-	-	-	-	-	-	-	-	(40,500)	-
	<u>2,607,995</u>	-	-	<u>64,760</u>	<u>21,734</u>	<u>7,134</u>	-	-	<u>69,571</u>	<u>139,303</u>	<u>2,910,399</u>	<u>2,436,240</u>
Expenditures												
Goods and Services	111,269	28,171	150,245	103,580	48,481	85,428	38,346	5,114	38,317	114,398	723,349	871,630
Labour	295,844	(7,806)	234,295	49,877	71,144	(7,349)	22,176	-	21,686	33,653	793,830	891,550
Interest and Bank Charges	5,351	-	-	-	-	-	16,379	-	-	-	21,730	38,900
Amortization	(117,521)	(4,599)	(10,096)	(409)	(6,727)	(36,156)	(29,940)	-	(20,518)	(32,207)	(369,212)	(411,549)
	<u>339,983</u>	<u>(70,576)</u>	<u>(414,636)</u>	<u>(153,866)</u>	<u>(126,402)</u>	<u>(168,933)</u>	<u>(176,841)</u>	<u>(5,114)</u>	<u>(80,521)</u>	<u>(181,454)</u>	<u>(1,908,128)</u>	<u>(2,202,629)</u>
	2,077,910	(70,576)	(414,636)	(89,106)	(104,668)	(161,799)	(176,841)	(5,114)	(10,948)	(41,951)	1,002,271	232,611
Loss on Disposition of Tangible Capital Assets	-	-	-	-	-	-	-	-	(153,878)	-	(153,878)	-
Annual Surplus (Deficit)	<u>2,077,910</u>	<u>(70,576)</u>	<u>(414,636)</u>	<u>(89,106)</u>	<u>(104,668)</u>	<u>(161,799)</u>	<u>(176,841)</u>	<u>(5,114)</u>	<u>(164,826)</u>	<u>(41,951)</u>	<u>848,393</u>	<u>(772,618)</u>

CRAN NOWOSAD BOATES
CHARTERED PROFESSIONAL ACCOUNTANTS

VILLAGE OF PORT ALICE

Schedule 4 - Reserve Fund Transactions

Year Ended December 31, 2019

	Capital Works Machinery and Equipment \$	Fire Hall \$	Rec Centre \$	Economic Development \$	Total 2019 \$	Total 2018 \$
Balance, Beginning of Year	234,792	113,529	105,060	580,906	1,034,287	937,231
Interest Earned	4,290	2,074	1,920	10,449	18,733	9,280
Transfer From Other Funds	4,709	-	9,091	212,295	226,095	116,593
Used for Capital Expenditures	-	-	-	(30,868)	(30,868)	(28,817)
Balance, End of Year	<u>243,791</u>	<u>115,603</u>	<u>116,071</u>	<u>772,782</u>	<u>1,248,247</u>	<u>1,034,287</u>

CHAN NOWOSAD BOATES
CHARTERED PROFESSIONAL ACCOUNTANTS