

TOWN OF PORT MCNEILL
Financial Statements
December 31, 2021

TOWN OF PORT MCNEILL

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Year Ended December 31, 2021

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MANAGEMENT REPORT

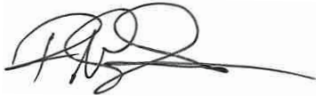
December 31, 2021

The Mayor and Council of the Town of Port McNeill has delegated the responsibility for the integrity and objectivity of the financial information contained in the financial statements to the management of the Town of Port McNeill. 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 Town of Port McNeill'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 Town of Port McNeill'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 Town of Port McNeill as at December 31, 2021.



Pete Nelson-Smith
Chief Administrative Officer
May 10, 2022



INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Town of Port McNeill

Opinion

We have audited the accompanying financial statements of the Town of Port McNeill (the "Town"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, 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 Town's financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2021, 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.

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 Town 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 Town'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 Town to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for over-seeing the Town'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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 Town'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 Town'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 Town 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.

Chan Nawrood Boates Inc

Chartered Professional Accountants
Campbell River, BC

May 10, 2022

TOWN OF PORT MCNEILL

Statement of Financial Position

December 31, 2021

2021

2020

FINANCIAL ASSETS

Cash	\$ 5,004,321	\$ 5,349,796
Portfolio Investments (Note 2)	978,244	982,161
Accounts Receivable (Note 3)	456,665	216,638
Investment in Government Business Enterprises (Note 4)	<u>224,465</u>	<u>250,979</u>
	<u>6,663,695</u>	<u>6,799,574</u>

LIABILITIES

Accounts Payable (Note 5)	989,636	333,750
Deferred Revenue (Note 6)	727,611	404,852
Long Term Debt (Note 7)	<u>1,056,360</u>	<u>1,150,159</u>
	<u>2,773,607</u>	<u>1,888,761</u>

NET FINANCIAL ASSETS

3,890,088 4,910,813

NON-FINANCIAL ASSETS

Prepaid Expenses	63,388	57,503
Tangible Capital Assets (Note 8)	<u>25,567,622</u>	<u>24,719,478</u>
	<u>25,631,010</u>	<u>24,776,981</u>

ACCUMULATED SURPLUS (Note 12)

\$ 29,521,098 \$ 29,687,794

Contingent Liabilities (Note 10)

Approved by:



Mayor



Chief Administrative Officer

TOWN OF PORT MCNEILL

Statement of Operations

Year Ended December 31, 2021

	2021		2020
	Budget	Actual	
	(Note 13)		
Revenues (Schedules 2 and 3)			
Taxation	\$ 1,528,510	\$ 1,528,630	\$ 1,498,539
Payments in Lieu of Taxes	54,475	55,056	55,678
Sale of Goods and Services	1,469,160	1,597,089	1,454,628
Interest and Investment Income	104,000	72,004	86,810
Government Transfers (Schedule 1)	<u>3,829,400</u>	<u>1,156,176</u>	<u>1,517,113</u>
	<u>6,985,545</u>	<u>4,408,955</u>	<u>4,612,768</u>
Expenditures (Schedules 2 and 3)			
General Government Services	1,349,545	1,752,236	1,635,841
Recreation and Parks Services	534,160	497,630	333,819
Protective Services	187,435	296,318	230,144
Solid Waste	213,494	203,147	205,650
Sewer Services	219,716	431,736	439,380
Water Services	276,205	422,687	403,391
Harbour and Dock	<u>395,756</u>	<u>971,897</u>	<u>585,044</u>
	<u>3,176,311</u>	<u>4,575,651</u>	<u>3,833,269</u>
Annual Surplus (Deficit)	3,809,234	(166,696)	779,499
Accumulated Surplus - Beginning of Year	<u>29,687,794</u>	<u>29,687,794</u>	<u>28,908,295</u>
Accumulated Surplus - End of Year	<u>\$33,497,028</u>	<u>\$29,521,098</u>	<u>\$29,687,794</u>

TOWN OF PORT MCNEILL

Statement of Change in Net Financial Assets

Year Ended December 31, 2021

	<u>2021</u>		<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	
	(Note 13)		
Annual Surplus (Deficit)	\$ 3,809,234	\$ (166,696)	\$ 779,499
Use of Prepaid Expenses	-	57,503	58,502
Acquisition of Prepaid Expenses	-	(63,388)	(57,503)
Net Acquisition of Tangible Capital Assets	(4,797,094)	(1,960,910)	(550,657)
Amortization of Tangible Capital Assets	-	1,112,766	1,219,199
	<u>(987,860)</u>	<u>(1,020,725)</u>	<u>1,449,040</u>
Net Financial Assets - Beginning of Year	<u>4,910,813</u>	<u>4,910,813</u>	<u>3,461,773</u>
Net Financial Assets - End of Year	<u>\$ 3,922,953</u>	<u>\$ 3,890,088</u>	<u>\$ 4,910,813</u>

TOWN OF PORT MCNEILL

Statement of Cash Flows

Year Ended December 31, 2021

2021

2020

Cash Flows From Operating Activities:

Annual Surplus (Deficit)	\$ (166,696)	\$ 779,499
Items Not Involving Cash		
Amortization of Tangible Capital Assets	1,112,766	1,219,199
Disposal of Tangible Capital Asset	<u>278,509</u>	<u>-</u>
	1,224,579	1,998,698
Changes in Non-Cash Operating Balances		
Accounts and Taxes Receivable	(240,027)	24,153
Accounts Payable	655,887	(33,193)
Deferred Revenue	322,759	115,299
Prepaid Expenses	<u>(5,885)</u>	<u>999</u>
	<u>1,957,313</u>	<u>2,105,956</u>

Cash Flows From Capital Activities:

Purchase of Tangible Capital Assets	<u>(2,239,419)</u>	<u>(550,657)</u>
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Cash Flows From Investing Activities:

Redemption (Purchase) of Portfolio Investments	3,917	(37,240)
Distributions from Government Business Enterprises	-	90,000
Loss from Government Business Enterprises	26,513	20,923
Repayments of Long Term Debt	<u>(93,799)</u>	<u>(90,191)</u>
	<u>(63,369)</u>	<u>(16,508)</u>

Increase (Decrease) in Cash (345,475) 1,538,791

Cash - Beginning of Year 5,349,796 3,811,005

Cash - End of Year \$ 5,004,321 \$ 5,349,796

TOWN OF PORT MCNEILL

Notes to Financial Statements

December 31, 2021

The Town of Port McNeill (the "Town") was incorporated as a municipality on February 18, 1966 under the provisions of the British Columbia Municipal Act. Its principal activities are the provision of local government services to the residents of the Town. 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 Town prepares its financial statements in accordance with Canadian public sector accounting standards using guidelines developed by the Public Sector Accounting Board ("PSAS") for the Chartered Professional Accountants of Canada.

b) Cash:

Cash consists of cash on hand and demand deposits.

c) Portfolio Investments:

Portfolio Investments are recorded at cost. Portfolio investments in Municipal Finance Authority of British Columbia (MFA) Bond and Money Market Funds are recorded at cost plus earnings that are reinvested in the funds.

d) Investment in Government Business Enterprises:

Investment in Government Business Enterprises are accounted for using the modified equity method.

f) 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	20 to 40 years
Automotive	10 to 30 years
Equipment	5 to 15 years
Water and Sewer Infrastructure	30 to 80 years
Paving and Lighting	40 to 50 years
Storm Drains	60 to 80 years
Harbour	10 to 40 years

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

The Town 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.

TOWN OF PORT MCNEILL

Notes to Financial Statements

December 31, 2021

1. Significant Accounting Policies (Continued):

e) **Deferred Revenue:**

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specific purpose.

f) **Revenue Recognition:**

Revenues are recorded on the accrual basis of accounting and are recorded in the period in which the transaction or events occurred.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with tax legislation. Through the British Columbia Assessment's appeal process, taxes may be adjusted by way of supplementary roll adjustments. The affects of these adjustments on taxes are recognized at the time they are awarded. Charges for utility usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Government transfers, which include legislative grants, are recognized when received if the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability.

Sale of goods and services and other revenues 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 deferred revenue until the Town discharges the obligation that led to the collection of the funds.

g) **Administration Apportionment:**

A percentage of certain budgeted general government services expenses of the Town has been allocated to other functions. These expenses include wages of administrative staff and the public works supervisor and utility discounts. Wages are allocated based on actual time spent in various segments, and utilities discounts are allocated based on the percentage of utilities revenue that relates to each segment.

h) **Financial Instruments:**

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

i) **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 are the collectability of accounts receivable, valuation of investments, estimates of contingent liabilities, the provision of 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.

TOWN OF PORT MCNEILL

Notes to Financial Statements

December 31, 2021

1. Significant Accounting Policies (Continued):

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 a 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 Town 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, 2021 or December 31, 2020.

2. Portfolio Investments:

Portfolio investments includes \$978,244 (2020 - \$982,161) held with the Municipal Finance Authority (MFA) in money market and short term bond funds.

3. Accounts Receivable:

	<u>2021</u>	<u>2020</u>
Property Taxes and Utilities	\$ 86,546	\$ 117,493
Other Governments	312,234	27,757
Trade and Other	80,224	93,727
Allowance for Doubtful Accounts	<u>(22,339)</u>	<u>(22,339)</u>
	<u>\$ 456,665</u>	<u>\$ 216,638</u>

4. Investment in Government Business Enterprises:

The Town has a 33% ownership interest in North Island Community Forestry Ltd. (NICFL) and North Island Community Forest Limited Partnership (NICFLP). The investments in NICFL and NICFLP 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 Town 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 years, the NICFLP financial statements were prepared under Canadian Accounting Standards for Private Enterprises (ASPE). Any differences between ASPE and IFRS are considered to be insignificant.

TOWN OF PORT MCNEILL

Notes to Financial Statements

December 31, 2021

4. Investment in Government Business Enterprises (Continued):

The summary of the Town's investment in government business enterprises is as follows:

	<u>2021</u>	<u>2020</u>
NICFLP	\$ 203,389	\$ 229,193
NICFL	<u>21,076</u>	<u>21,786</u>
	<u>\$ 224,465</u>	<u>\$ 250,979</u>

The condensed supplementary financial information of the Town's investments in government business enterprises is as follows:

	<u>2021</u>	<u>2020</u>
Total Assets	\$ <u>698,753</u>	\$ <u>795,226</u>
Total Liabilities	24,008	42,289
Total Equity	<u>674,745</u>	<u>752,937</u>
Total Liabilities and Equity	<u>698,753</u>	<u>795,226</u>
Revenue	4,558	6,480
Expenses	<u>82,751</u>	<u>69,746</u>
Net Loss	<u>\$ (78,193)</u>	<u>\$ (63,266)</u>

5. Accounts Payable:

	<u>2021</u>	<u>2020</u>
Other Governments	\$ 317,306	\$ 53,864
Trade and Other	619,825	236,194
Payroll Liabilities	<u>52,505</u>	<u>43,692</u>
	<u>\$ 989,636</u>	<u>\$ 333,750</u>

6. Deferred Revenue:

	<u>2020</u>	<u>Collections</u>	<u>Transfers</u>	<u>2021</u>
Community Works Fund	\$ 300,581	\$ 314,276	\$ (139,974)	\$ 474,883
Municipal Regional District Tax	45,160	39,987	(33,978)	51,169
Harbour Annual Contracts	39,545	44,747	(39,544)	44,748
Miscellaneous	12,800	149,811	(12,800)	149,811
Cemetery Fund	<u>6,766</u>	<u>234</u>	<u>-</u>	<u>7,000</u>
	<u>\$ 404,852</u>	<u>\$ 549,055</u>	<u>\$ (226,296)</u>	<u>\$ 727,611</u>

TOWN OF PORT MCNEILL

Notes to Financial Statements

December 31, 2021

7. Long Term Debt:

The Town has debt instruments through the MFA obtained for the purposes of funding water infrastructure. The gross amount borrowed for Water in 2008 on Water Debenture #116 was \$1,400,000 and for Water Debenture #103 in 2011 was \$500,000. Both loans are amortized over a twenty year period. The current balance of long-term debt is as follows:

	<u>2021</u>	<u>2020</u>
Total Outstanding Debt - Beginning of Year	\$ 1,150,159	\$ 1,240,350
Reduction of Long-Term Debt	<u>(93,799)</u>	<u>(90,191)</u>
Total Outstanding Debt - End of Year	<u>\$ 1,056,360</u>	<u>\$ 1,150,159</u>

The interest rate for the year on Water Debenture #116 was 4.48% (2020 - 4.44%) and on Water Debenture #103 was 1.35% (2020 - 1.61%). The interest expense on the debt in the year ended December 31, 2021 is \$52,940 (2020 - \$72,050).

Future payments on net outstanding debt over the next five years and thereafter:

	<u>Water Debenture #116</u>	<u>Water Debenture #103</u>	<u>Total</u>
2022	\$ 69,593	\$ 27,958	\$ 97,551
2023	72,377	29,076	101,453
2024	75,272	30,239	105,511
2025	78,283	31,449	109,732
2026 and beyond	<u>540,015</u>	<u>102,098</u>	<u>642,113</u>
	<u>\$ 835,540</u>	<u>\$ 220,820</u>	<u>\$ 1,056,360</u>

The MFA provides capital financing for regional districts and their member municipalities. The MFA is required to establish a debt reserve fund. Each regional district, through its member municipalities who are in the proceeds of the debt issue, is required to pay into the debt reserve fund certain amounts set out in the debt agreements. The MFA pays into the debt reserve fund these monies from which interest earned thereon less administrative expenses becomes an obligation to the regional districts. It must then use this fund if at any time there are insufficient funds to meet payments on its obligations. When this occurs, the regional districts may be called upon to restore the fund.

Upon maturity of a debt issue, the unused portion of the debt reserve fund established for the issue will be discharged to the Town. The proceeds from these discharges will be credited to income in the year they are received. As at December 31, 2021, the Town debt reserve fund was \$79,904 (2020 - \$79,470).

TOWN OF PORT MCNEILL

Notes to Financial Statements

December 31, 2021

8. Tangible Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening	Additions	Disposals	Closing	Opening	Amort	Disposals	Closing	2021	2020
General Capital Assets										
Land	\$ 1,389,069	\$ -	\$ -	\$ 1,389,069	\$ -	\$ -	\$ -	\$ -	\$ 1,389,069	\$ 1,389,069
Buildings	19,906,204	611,981	-	20,518,185	16,373,224	398,253	-	16,771,477	3,746,708	3,532,980
Automotive	1,115,373	137,820	61,000	1,192,193	531,209	47,447	35,300	543,356	648,837	584,164
Equipment	1,127,591	122,116	-	1,249,707	761,629	48,234	-	809,863	439,844	365,962
Engineered Structures										
Water Infrastructure	12,443,970	-	-	12,443,970	3,548,808	154,289	-	3,703,097	8,740,873	8,895,162
Sewer Infrastructure	9,656,718	11,386	-	9,668,104	6,008,411	145,395	-	6,153,806	3,514,298	3,648,307
Paving and Lighting	28,947,927	86,267	-	29,034,194	27,582,680	173,990	-	27,756,670	1,277,524	1,365,247
Storm Drains	2,130,295	791,240	-	2,921,535	807,702	27,357	-	835,059	2,086,476	1,322,593
Harbour	4,882,216	478,609	326,205	5,034,620	1,266,222	117,801	73,396	1,310,627	3,723,993	3,615,994
	<u>\$ 81,599,363</u>	<u>\$ 2,239,419</u>	<u>\$ 387,205</u>	<u>\$ 83,451,577</u>	<u>\$ 56,879,885</u>	<u>\$ 1,112,766</u>	<u>\$ 108,696</u>	<u>\$ 57,883,955</u>	<u>\$ 25,567,622</u>	<u>\$ 24,719,478</u>

Included in Sewer Infrastructure at December 31, 2021 is \$490,089 of capitalized costs for the Beach Drive Mitigation project and \$335,515 of capitalized costs for the Stormwater Upgrade project that are not presently being amortized as a result of the projects still being in progress at year end. The assets are expected to be placed into use during the year ending December 31, 2022 at which time amortization will be taken.

Included in Harbour at December 31, 2021 is \$515,021 of capitalized costs for the Municipal Ramp P Dock Replacement project that are not presently being amortized as the project was completed in the year ending December 31, 2022, the year in which amortization will begin to be taken on the asset.

9. Collections for Other Governments:

	Actual 2021	Actual 2020
Province of British Columbia - School Tax	\$ 821,996	\$ 714,659
Regional Hospital District of Mount Waddington	112,055	103,732
Mount Waddington Regional District	464,541	448,362
Municipal Finance Authority	70	71
British Columbia Assessment Authority	15,311	15,638
Province of BC - Police Tax	126,085	127,015
	<u>\$ 1,540,058</u>	<u>\$ 1,409,477</u>

TOWN OF PORT MCNEILL

Notes to Financial Statements

December 31, 2021

10. Contingent Liabilities:

- (a) The Town has a lease with the Crown in right of the Province of British Columbia for the land on which the Town operates its harbour. This is a 30-year lease, which expires on January 1, 2032. Annual payments total \$14,061.
- (b) As a member of the Mount Waddington Regional District, the Town is responsible for its portion of operating deficits or the long-term debt related function in which it participates.
- (c) The Town pays monthly fee to a contractor for the services of collection and disposition of residential refuse. This is a five-year contract, which expires on March 1, 2026. Annual payments total \$99,571.
- (d) The Town pays monthly fee to a contractor for animal control services. This is a three-year contract, which expires on Jan 31, 2024. Annual payment total \$23,100.
- (e) The Town pays a bi-annual fee to a supplier for SCBA cylinder refilling services. This is a five-year contract, which expires on Dec 31, 2025. Annual payments total approximately \$22,207.

11. Pension Plan:

The Town and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2020, the plan had about 213,000 active members and approximately 106,000 retired members. Active members include approximately 42,000 contributors from local governments.

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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial 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 Town paid \$70,268 (2020 - \$68,465) of employer contributions while employees contributed \$62,184 (2020 - \$60,594) to the plan in fiscal 2021.

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 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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

TOWN OF PORT MCNEILL

Notes to Financial Statements

December 31, 2021

12. Accumulated Surplus:

The Town segregates its accumulated surplus in the following categories:

	<u>2021</u>	<u>2020</u>
Accumulated Surplus		
Operating Surplus	\$ 123,554	\$ 1,075,243
Statutory Reserves	2,669,129	2,750,062
Internally Restricted Reserves	1,992,688	2,042,191
Equity in North Island Community Forest	224,465	250,979
Equity in Tangible Capital Assets	<u>24,511,262</u>	<u>23,569,319</u>
	<u>\$ 29,521,098</u>	<u>\$ 29,687,794</u>

Statutory Reserves

The following reserves have been set aside by Council resolution for future capital projects:

	<u>2021</u>	<u>2020</u>
North Island Community Forest	\$ 1,844,555	\$ 1,871,069
Land Acquisitions	279,355	279,355
Public Works Mobile Equipment	95,337	135,337
Fire Department	113,667	128,086
Capital Priority	81,215	81,215
Harbour	<u>255,000</u>	<u>255,000</u>
	<u>\$ 2,669,129</u>	<u>\$ 2,750,062</u>

Internally Restricted Reserves

The following non-statutory reserves have been set aside by Council for future capital projects. The non-statutory reserves are not dictated by bylaws and the funds may be allocated to different projects than originally intended.

	<u>2021</u>	<u>2020</u>
Old School Repairs	\$ 200,000	\$ 200,000
Road and Sidewalk Maintenance	285,782	305,782
General	200,435	200,435
Beach Drive	133,128	133,128
Stormwater	146,646	146,646
Pool	168,200	168,200
COVID-19 Recovery	<u>858,497</u>	<u>888,000</u>
	<u>\$ 1,992,688</u>	<u>\$ 2,042,191</u>

TOWN OF PORT MCNEILL

Notes to Financial Statements

December 31, 2021

13. Fiscal Plan:

The Fiscal Plan amounts represent the Financial Plan Bylaw adopted by Council on April 27, 2021.

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>2021</u>
Financial Plan (Budget) Bylaw	\$ -
Add:	
Capital Expenditures	4,797,094
Contributions to Reserves	536,240
Less:	
Transfers from Reserves	(1,071,340)
Increase in Long Term Debt	<u>(452,760)</u>
Annual Surplus Presented in Financial Statements	\$ <u>3,809,234</u>

14. Segmented Information:

The Town provides various services within various departments. The segmented information as disclosed in Schedules 2 and 3 reflects those functions offered by the Town as summarized below:

General government services – activities related to the administration of the Town as a whole including central administration, which includes legislative services, finance, human resources, feasibility studies, grants in aid, business licensing, animal control services and bylaw enforcement. Public works consists of road and street patching, maintenance and repairs, snow removal, brush and tree cutting, maintenance of all municipal buildings and property and bylaw enforcement.

Recreation and parks services – activities related to all recreational and parks services including the maintenance of the pool, campgrounds, parks, community hall and museum.

Protective services – activities related to providing for the security of the property and citizens of the Town including fire protection, health and emergency planning.

Solid waste – activities related to solid waste management.

Sewer services – activities related to gathering, treating, transporting, storing and discharging sewage or reclaimed water.

Water services – activities related to supplying, storing, treating and transporting water.

Harbour and Dock – activities consist of operation, repairs and maintenance of the Small Craft Harbour and the Dock public boat launch.

TOWN OF PORT MCNEILL

Notes to Financial Statements

December 31, 2021

14. Segmented Information (Continued):

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment, in addition to amounts that are allocated to each segment on a reasonable basis. Refer to Schedules 2 and 3 for segment revenues and expenses detail on a comparative basis.

15. Subsequent Events:

Subsequent to December 31, 2021, the Town purchased a fire truck for \$473,150 that is expected to be received in October 2022. The acquisition of the firetruck is being financed by long term debt from MFA totaling \$430,000. The debt will have a 60-month term consisting of monthly payments of \$7,339 at an annual interest rate of approximately 1.1%.

16. Comparative Figures:

Certain comparative figures have been reclassified, where necessary, to conform with the current year's presentation.

TOWN OF PORT MCNEILL

Schedule 1 - Government Grants and Transfers to the Town and Ratepayers

Year Ended December 31, 2021

	<u>2021</u>		<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	
	(Note 13)		
Federal Government			
Gas Tax	\$ 153,000	\$ 139,974	\$ 36,412
Other	<u>12,000</u>	<u>3,345</u>	<u>6,600</u>
	<u>165,000</u>	<u>143,319</u>	<u>43,012</u>
Province of BC and Other Programs			
General Fund			
Small Communities Grant	495,000	481,000	495,904
COVID Safe Restart Grant	-	-	888,000
Other	<u>56,500</u>	<u>38,242</u>	<u>55,727</u>
	<u>551,500</u>	<u>519,242</u>	<u>1,439,631</u>
General Capital			
Infrastructure (Provincial)	3,112,900	235,031	-
Other	<u>-</u>	<u>258,584</u>	<u>34,470</u>
	<u>3,112,900</u>	<u>493,615</u>	<u>34,470</u>
	<u>\$ 3,829,400</u>	<u>\$ 1,156,176</u>	<u>\$ 1,517,113</u>

TOWN OF PORT MCNEILL

Schedule 2 - Combined Statement of Operations by Segment

Year Ended December 31, 2021

	General Government Services	Recreation and Parks Services	Protective Services	Solid Waste	Sewer Services	Water Services	Harbour and Dock	2021 Actual	2021 Budget
Revenues									
Taxation	\$ 1,528,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,528,630	\$ 1,528,510
Payments in Lieu of Taxes	55,056	-	-	-	-	-	-	55,056	54,475
Sales of Goods and Services	136,294	59,764	97,741	214,212	384,599	299,531	404,948	1,597,089	1,469,160
Interest and Investment Income	72,004	-	-	-	-	-	-	72,004	104,000
Government Transfers	<u>1,143,676</u>	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,156,176</u>	<u>3,829,400</u>
	<u>2,935,660</u>	<u>72,264</u>	<u>97,741</u>	<u>214,212</u>	<u>384,599</u>	<u>299,531</u>	<u>404,948</u>	<u>4,408,955</u>	<u>6,985,545</u>
Expenses									
Amortization	329,278	88,407	60,292	-	229,957	194,976	209,856	1,112,766	-
Wages and Benefits	595,847	139,551	28,525	39,799	69,756	88,138	273,260	1,234,876	1,346,785
Operating Expenditures	738,313	237,801	193,872	163,348	112,900	71,654	232,327	1,750,215	1,577,909
Contract Services	96,098	31,871	13,629	-	19,123	14,979	3,645	179,345	179,567
Interest	-	-	-	-	-	52,940	-	52,940	72,050
Loss (Gain) on Disposal of Assets	<u>(7,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,809</u>	<u>245,509</u>	<u>-</u>
	<u>1,752,236</u>	<u>497,630</u>	<u>296,318</u>	<u>203,147</u>	<u>431,736</u>	<u>422,687</u>	<u>971,897</u>	<u>4,575,651</u>	<u>3,176,311</u>
Annual Surplus (Deficit)	<u>\$ 1,183,424</u>	<u>\$ (425,366)</u>	<u>\$ (198,577)</u>	<u>\$ 11,065</u>	<u>\$ (47,137)</u>	<u>\$ (123,156)</u>	<u>\$ (566,949)</u>	<u>\$ (166,696)</u>	<u>\$ 3,809,234</u>

TOWN OF PORT MCNEILL

Schedule 3 - Combined Statement of Operations by Segment

Year Ended December 31, 2020

	General Government Services	Recreation and Parks Services	Protective Services	Solid Waste	Sewer Services	Water Services	Harbour and Dock	2020 Actual	2020 Budget
Revenues									
Taxation	\$ 1,498,539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,498,539	\$ 1,501,601
Payments in Lieu of Taxes	55,678	-	-	-	-	-	-	55,678	56,524
Sales of Goods and Services	129,245	47,850	41,340	212,675	378,657	293,934	350,927	1,454,628	1,396,179
Interest and Investment Income	86,810	-	-	-	-	-	-	86,810	91,000
Government Transfers	<u>1,504,613</u>	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,517,113</u>	<u>947,030</u>
	<u>3,274,885</u>	<u>60,350</u>	<u>41,340</u>	<u>212,675</u>	<u>378,657</u>	<u>293,934</u>	<u>350,927</u>	<u>4,612,768</u>	<u>3,992,334</u>
Expenses									
Amortization	419,527	95,802	65,917	-	223,394	192,477	222,081	1,219,198	-
Wages and Benefits	547,884	59,528	15,240	43,336	97,430	76,419	188,368	1,028,205	1,260,364
Operating Expenditures	553,328	177,011	144,285	162,314	114,940	61,958	167,335	1,381,171	1,275,894
Contract Services	115,102	1,478	4,702	-	3,616	487	7,260	132,645	32,947
Interest	-	-	-	-	-	<u>72,050</u>	-	<u>72,050</u>	<u>72,050</u>
	<u>1,635,841</u>	<u>333,819</u>	<u>230,144</u>	<u>205,650</u>	<u>439,380</u>	<u>403,391</u>	<u>585,044</u>	<u>3,833,269</u>	<u>2,641,255</u>
Annual Surplus (Deficit)	\$ <u>1,639,044</u>	\$ <u>(273,469)</u>	\$ <u>(188,804)</u>	\$ <u>7,025</u>	\$ <u>(60,723)</u>	\$ <u>(109,457)</u>	\$ <u>(234,117)</u>	\$ <u>779,499</u>	\$ <u>1,351,079</u>

TOWN OF PORT MCNEILL

Schedule 4 - COVID-19 Safe Restart Grant - Unaudited

Year Ended December 31, 2021

The Town of Port McNeill received a grant of \$888,000 under the COVID-19 Safe Restart Grant for Local Governments in the year ending December 31, 2020. The details surrounding these funds are shown in the schedule below:

	<u>2021</u>
COVID-19 Safe Restart Funds Carried Forward	\$ <u>888,000</u>
Eligible Costs	
Computers and Other Electronics	11,233
Emergency Planning and Response	4,270
Donations to Vulnerable Persons	<u>14,000</u>
	<u>29,503</u>
Balance, December 31, 2021	\$ <u><u>858,497</u></u>