



Minutes

<u>Meeting</u>	Special Council Meeting
<u>Date</u>	11-May-17
<u>Time</u>	3:00 PM
<u>Place</u>	Municipal Hall - Council Chambers

Present Mayor Jude Schooner
Councillor Brenda Overton
Councillor Louis Van Solkema
Councillor Kathy Bellanger
Councillor Randy Taylor

Staff Mark Tatchell, Chief Administrative Officer
Janet St-Denis, Finance Assistant

Public None.

A. Call to Order

Mayor Schooner called the meeting to order at 3:03 p.m. and acknowledged and respected that we are upon Mowachaht/ Muchalaht Traditional Territory.

B. Introduction of Late Items

Area 25 Harvest Allocation under business arising as H1.

C. Approval of the Agenda

Overton/ Taylor: VOT 205/2017

THAT the Agenda for the May 11, 2017 Special Council meeting be adopted as amended to include the late item.

CARRIED

D. Petitions and Delegations

None.

E. Public Input # 1

None.

F. Adoption of the Minutes

None.

G. Rise and Report

None.

H. Business Arising

1 Area 25 Harvest Allocation

Councillor Van Solkema described the tension that emerged at the Area 25 harvest allocation meeting held on April 27th in Campbell River. A trial gillnet fishery arrangement has been made whereby through the stewardship committee a share of the catch is contributed to hatchery and stream enhancement. However, the sport fishery has objected to the extent of the gillnet fishery so this issue, coupled with the Aboriginal fishing allocation, will be the subject of the May 15 Area 25 meeting. It was noted that DFO is forecasting “moderate” returns to Nootka Sound so there is the potential for all groups to have a good season. Council discussed the role of Council in this sector and issue noting the importance of the fishery sector, like the forestry sector. Council agreed it was important to stay engaged and informed on the fishery related issues. Staff re-committed to arrange a committee of the whole meeting with a DFO and/or West Coast Aquatic representative as a resource.

J. Council Reports

None.

K. Bylaws

L. Correspondence

M. New Business

1 Village of Tahsis 2016 Annual Report & 2016 Audited Financial Statements

Kristine Simpson, CPA, CA, of BDO Canada LLC (by phone) walked Council through the Final Report based on the financial audit and highlighted key items in the audited financial statements. Ms. Simpson stated that the auditors had issued a clean opinion noting that there were no significant deficiencies in internal controls or any significant events for Council's attention. Ms. Simpson explained the summaries of unadjusted differences (primarily from past years) and adjusted differences (accounting or data entry errors) found by the auditors. She summarized the recommendations in the Management Discussion and Analysis, commenting that management had continued to improve internal controls and financial operations over the previous audit.

Moving to the financial statements, Ms. Simpson explained the components that make up the statement of financial position and described the variance between the 2016 budget and the actual. Staff noted that the Village absorbed about \$350,000 in well-related expenditures which were mostly funded from operating dollars. Ms. Simpson also highlighted the Village's tangible capital assets and reserve funds.

Council thanked Ms. Simpson for her presentation.

Overton/Taylor: VOT 206/2017

THAT the Village of Tahsis' 2016 Annual Report & 2016 Audited Financial Statements be received.

CARRIED

Overton/Taylor: VOT 207/2017

THAT the Village of Tahsis' 2016 Annual Report & 2016 Audited Financial Statements be approved.

CARRIED

N. Public Input #2

None.

Rise and Report

None.

O. Adjournment

Overton/Bellanger: VOT 208/2017

THAT the Special Council meeting adjourn at 4:00 p.m.

CARRIED

Certified Correct this

6 Day of June 2017

A handwritten signature in dark ink, consisting of a series of connected strokes that form a stylized, somewhat abstract shape.

Chief Administrative Officer

Village of Tahsis

Final Report to the Mayor and Council for the year ended December 31, 2016

May 4, 2017





Tel: 604 688 5421
Fax: 604 688 5132
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

May 4, 2017

Dear Mayor and Council:

We are pleased to present the report on the results of our audit of the financial statements of The Village of Tahsis (the "Village") for the year ended December 31, 2016. The purpose of this report is to summarize certain aspects of the audits that we believe to be of interest to the Mayor and Council and should be read in conjunction with the draft financial statements and our draft audit report which is included as Appendix A.

We would like to bring to your attention that our audit and therefore this report will not necessarily identify all matters that may be of interest to the Mayor and Council in fulfilling its responsibilities.

This report has been prepared solely for the use of the Mayor and Council and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our sincere appreciation for the co-operation we received during the audit from the Village's management and staff who have assisted us in carrying out our work. We look forward to connecting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

Kristine Simpson, CPA, CA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

KLS/mkn



TABLE OF CONTENTS

Executive Summary	4
Audit Findings	6
Fraud Discussion	9
Internal Control Matters	10
Other Required Communications	11
Appendix A - Draft Audit Report	13
Appendix B - Representation Letter	14
Appendix B - Unadjusted Difference	17
Appendix D - Management Letter	20

EXECUTIVE SUMMARY

Audit Findings	<p>Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance as to whether the financial statements are free of material misstatement.</p> <p>We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the financial statements are free from material misstatement. The scope of the work performed was substantially the same as that described in our Planning Report to the Mayor and Council dated December 13, 2016.</p> <p>A detailed description of our audit findings has been included on page 7.</p>
Status of Audit	<p>As of the date of this report, we have substantially completed our audit of the year end financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our audit report on the financial statements:</p> <ul style="list-style-type: none">• Receipt of the signed management representation letter• Subsequent events review through to financial statement approval date• Approval of financial statements by the Council
Audit Risks	<p>In accordance with our audit plan, our procedures focused on the following areas that we identified as containing risks of material misstatements:</p> <ul style="list-style-type: none">• Risk of Management Override• Cash and investments• Staff Salaries• Investment in Nootka Sound Economic Development Corporation (NSEDC)• Contaminated Sites <p>We have summarized the results of our audit procedures for each of these risk areas, beginning on page 6 of this report.</p>
Internal Control Over Financial Reporting	<p>We did not identify any significant deficiencies in internal controls over financial reporting during the year ended December 31, 2016 that we considered to be material weaknesses.</p>
Fraud and Illegal Activities	<p>We developed procedures within our audit plan as recommended by CAS 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements. Based on these procedures, we have not encountered any illegal activities or fraudulent events with respect to the Village.</p>

Significant Events	As of the date of this letter, we have not identified any significant events which we believe should be brought to your attention.
Significant Accounting Policies	The client's significant accounting policies are listed in the financial statements. We believe management's selection of accounting policies is appropriate under the Canadian Public Sector Accounting Standards (PSAS).
Estimates	<p>Accounting estimates are an integral part of the financial statements and are based on management's current judgments. These judgments are based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.</p> <p>No significant estimates were noted in the current year.</p>
Materiality, Audit Adjustments and Unadjusted Differences	<p>Our final materiality level of \$30,000 did not change from our planning materiality in our audit planning letter dated December 13, 2016.</p> <p>A summary of unadjusted misstatements for the year ended December 31, 2016 is included in Appendix C.</p> <p>The adjustments recorded during the audit for the year ended December 31, 2016 are included in Appendix C.</p>
Disclosures	There are no material omissions with respect to the disclosures in the financial statements for the year ended December 31, 2016 that we have noted.
Independence	<p>We confirmed our independence to Council for the year ended December 31, 2016 in our Planning Report Dated December 13, 2016.</p> <p>We confirm that we are still independent as of the date of this letter.</p>
Representation Letter	A draft version of the representation letter to be signed by management is included in Appendix B.
Conclusion	We intend to issue an unmodified audit report on the financial statements for the year ended December 31, 2016 once the outstanding items referred to above are satisfactorily resolved and the financial statements are approved the Council.



AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Village's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters will be discussed verbally with you. A summary of the key discussion points are as follows:

ACCOUNTING AND AUDIT MATTERS

Management Override of Controls

Risk	Approach	Results
Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records to prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	Our audit procedures included testing the appropriateness of journal entries recorded in the general ledger, reviewing accounting estimates for bias and evaluating the risk of material misstatements due to fraud. [This is a required procedure under the Auditing Standards]	All audit testing in this area was executed as planned and no issues were noted.

Cash and Investments

Risk	Approach	Results
Due to its nature, cash and investments are almost always considered to be a risk area in any audit.	We reviewed the year end reconciliations and obtained third party confirmations.	All audit testing in this area was executed as planned and no issues were noted.

Staff Salaries

Risk	Approach	Results
<p>A significant single type of expenditure that cover many employees and departments. As a municipality, this figure is often of particular interest to financial statement users (taxpayers).</p>	<p>We applied computer audit testing to analyze all payroll transactions in the year.</p> <p>We performed system testing, tests of controls and analytical review of staff salaries.</p> <p>We reviewed the allocation of salaries and benefits to segments for consistency of application.</p>	<p>All audit testing in this area was executed as planned and no issues were noted.</p>

Investment in Nootka Sound Economic Development Corporation (NSEDC)

Risk	Approach	Results
<p>There was some uncertainty in regard to prior dividend payments from NSEDC to the Village. During the current year the shareholders have agreed to drop the pending lawsuit and have agreed on an appropriate dissolution of assets. The shareholders are in the midst of dissolving the corporation.</p>	<p>We discussed with management and communicate with the lawyer to ensure no further legal issues remain.</p> <p>We reviewed the associated financial statements disclosures to ensure they are appropriate.</p> <p>We reviewed the recoverability of the investment value to ensure no impairment was required.</p>	<p>All audit testing in this area was executed as planned and no issues were noted.</p>

Contaminated Sites

Risk	Approach	Results
<p>There is a risk that the liability may not be properly accounted for or recorded.</p>	<p>During fiscal 2015, we reviewed management's process on identifying the potential contaminated sites, and management's assessment on whether a liability exists.</p> <p>During 2016 we reviewed all Council minutes and legal correspondence to confirm that there were no changes.</p>	<p>All audit testing in this area was executed as planned and there was no liability noted.</p> <p>Based on the review of the statutory and legal requirements, management is satisfied that there are no such sites that had contamination in excess of an environmental standard requiring remediation at this time.</p> <p>As such, no liability has been recorded. If the laws or regulations were to change in the future, there could be an obligation for the Village to remediate.</p>

SIGNIFICANT ACCOUNTING ESTIMATES

Management is responsible for determining the Village's significant accounting policies. The choice between accounting policy alternatives can have a significant effect on the financial position and results of the organization. The application of those policies often involves significant estimates and judgments by management. Based on the audit work that we have performed, it is our opinion that the estimates in the financial statements are reasonable and the disclosures relating to accounting estimates are in accordance with PSAS.

UNADJUSTED DIFFERENCES

For purposes of our discussion, a summary of unadjusted differences and disclosure omissions has been presented in Appendix C.

MANAGEMENT REPRESENTATIONS

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

A copy of the representation letter we have requested from management is included in Appendix B.

FRAUD DISCUSSION

Canadian auditing standards require us to discuss fraud risk with the Board on an annual basis. We discussed it in our Planning Report dated December 13, 2016. Currently, we are not aware of any actual, suspected or alleged fraud. If you are aware of any instances of actual, suspected or alleged fraud affecting the Village since the date of our previous discussion, please advise us during our upcoming meeting, or contact the audit partner directly at ksimpson@bdo.ca.

Required Discussion	BDO Response	Question to Audit Mayor and Council
<p>Details of existing oversight processes with regards to fraud.</p>	<p>Based on our discussions during the planning of our audit, the Mayor and Council's oversight processes include:</p> <ul style="list-style-type: none"> • Board meeting minutes; • Review of related party transactions; and • Consideration of tone at the top. 	<p>Are there any new processes or changes in existing processes relating to fraud since the date of our previous discussions, that we should be aware of?</p>
<p>Knowledge of actual, suspected or alleged fraud.</p>	<p>Currently, we are not aware of any actual, suspected or alleged fraud.</p>	<p>Are you aware of any instances of actual, suspected or alleged fraud affecting the Village?</p>

AUDITORS' RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

The scope of the work performed was substantially the same as that described in our Planning Report to the Mayor and Council dated December 13, 2016.



INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the Village's internal control environment:

- Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining, the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As the purpose of the audit is for us to express an opinion on the Village's financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

While there are no significant deficiencies in internal controls noted, we do take the opportunity to comment on non-critical matters in our management letter that is included in Appendix D.

OTHER REQUIRED COMMUNICATIONS

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the table below summarizes these additional required communications.

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
1. Our responsibilities under Canadian Auditing Standards (CAS)	✓		Included in our engagement letter dated December 13, 2016
2. Our audit strategy and audit scope	✓		Included in our Planning Report dated December 13, 2016
3. Fraud risk factors	✓		Included in our Planning Report dated December 13, 2016
4. Going concern matters		✓	None.
5. Significant estimates or judgments		✓	None.
6. Audit adjustments		✓	None.
7. Unadjusted differences		✓	Appendix C
8. Omitted disclosures		✓	None noted.
9. Disagreements with management		✓	There were no disagreements with management.
10. Consultations with other accountants or experts		✓	No external experts were consulted during this engagement.
11. Major issues discussed with management in regards to retention		✓	None.
12. Significant difficulties encountered during the audit		✓	No significant difficulties were encountered during our audit.
13. Significant deficiencies in internal control		✓	No significant deficiencies were noted.
14. Material written communication between BDO and management		✓	No material written communications were noted.
15. Any relationships which may affect our independence	✓	✓	No independence issues noted.

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
16. Any illegal acts identified during the audit		✓	No illegal activities identified through the audit process.
17. Any fraud or possible fraudulent acts identified during the audit	✓	✓	No fraud identified through the audit process.
18. Significant transactions with related parties not consistent with ordinary business operations		✓	None noted.
19. Non-compliance with laws or regulations identified during the audit		✓	No legal or regulatory non-compliance matters were noted as part of our audit.
20. Limitations of scope over our audit, if any		✓	None.
21. Written representations made by management		✓	See Appendix B.
22. Any modifications to our opinion, if required		✓	Please see our draft independent auditor's report included in Appendix A.

APPENDIX A - Draft Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Village of Tahsis

We have audited the accompanying financial statements of Village of Tahsis, which comprise the Statement of Financial Position as at December 31, 2016, the Statement of Operations, Statement of Changes in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Village of Tahsis as at December 31, 2016 and its operations, changes in net financial assets and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

Vancouver, British Columbia

AUDIT REPORT DATE



APPENDIX B - Representation Letter

May 9, 2017

BDO Canada LLP
Chartered Professional Accountants
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2

This representation letter is provided in connection with your audit of the financial statements of Village of Tahsis for the year ended December 31, 2016, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated December 13, 2016, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We have reviewed and approved all journal entries recommended by the auditors during the audit.

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- € We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- € All transactions have been recorded in the accounting records and are reflected in the financial statements.
- € We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- € We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- € We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- € We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- € We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

Existence, Completeness and Valuation of Specific Financial Statement Balances

- € All financial instruments have been appropriately recognized and measured in accordance with Canadian public sector accounting standards.
- € Significant assumptions used in arriving at the fair value of financial instruments are reasonable and appropriate in the circumstances.
- € Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.



- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the entity, except as disclosed in the financial statements.

General Representations

- We are aware of the environmental laws and regulations that impact our organization and we are in compliance. There are no known environmental liabilities or contingencies that have not been accrued for or disclosed in the financial statements.
- There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. When applicable, these litigation and claims have been accounted for and disclosed in the financial statements.

Yours truly,

Signature

Position

IBDO

APPENDIX C - Unadjusted Differences

SUMMARY OF UNADJUSTED DIFFERENCES

The following is a summary of uncorrected misstatements noted during the course of our audit engagement:

	Increase (Decrease)		
	Assets	Liabilities	Accumulated Surplus / Appraisal Surplus
CURRENT YEAR ITEMS			
Outstanding cheque and deposit without supporting information	(14,234) 14,770		536
Understatement of 2016 revenue due to deferment of prior year donation revenue			(2,076) 2,076
PRIOR YEAR CARRYFORWARD ITEMS:			
2015 understatement of insurance expense			(18,000) 18,000
Capitalization and amortization of pool cover	2,506		3,760 (1,254)
2015 overstatement of holiday pay			2,697 (2,697)
Total Unadjusted Differences	3,042		(13,619) 16,661

IBDO
SUMMARY OF ADJUSTED DIFFERENCES

The following is a summary of differences that were corrected by management during the course of our audit engagement:

	Increase (Decrease)			
	Assets	Liabilities	Accumulated Surplus	Current Surplus
Dr. User fee revenue Cr. Accounts receivable <i>To reverse portion of CVRD landfill management fees</i>	(25,545)			(25,545)
Dr. Accumulated surplus Cr. Investment income <i>To adjust investment income booked directly to equity</i>			(25,973)	25,973
Dr. Other revenue Cr. Investment in NSEDC <i>To record Tahsis share of loss for fiscal 2016</i>	(5,174)			(5,174)
Dr. Miscellaneous revenue Cr. Investment in NSEDC <i>Reverse preferred share dividend accrual - already picked up in equity accounting.</i>	(13,468)			(13,468)
Dr. Prepaid expenses Cr. Insurance expense <i>Adjust for late insurance invoices not recorded as prepaids.</i>	1,777			1,777
Dr. Accounts receivable - allowance Cr. Bad debt expense <i>Reverse 2015 allowance of \$8,760 no longer required and set up 2016 allowance of \$2,853.</i>	5,817			5,817
Dr. Gas tax grants Cr. Transfer to gas tax reserve account <i>Reverse CARIP revenue recognized as it is deferred in current year.</i>			1,117	(1,117)
Dr. Other income Cr. Prior year surplus <i>Adjust prior year Tahsis days donations - moved to deferred revenue</i>			2,076	(2,076)
Total Corrected Differences	36,593	\$ -	(22,780)	\$ (13,813)

SUMMARY OF DISCLOSURE OMISSIONS

The following is a summary of disclosures that have not been made within the financial statements:

Disclosure Omission	Management's Response
None to note	None to note



APPENDIX D - Management Letter

May 4, 2017

Direct Line: 604-443-4735
E-mail: ksimpson@bdo.ca

Mr. Mark Tatchell
Village of Tahsis
977 South Macquinna Drive
Tahsis, BC V0P 1X0

Dear Mr. Tatchell:

As your external auditors, we are engaged to provide an audit opinion on your year end financial statements. An external audit requires testing of transactions and balances and review of those internal control systems upon which we may place reliance. A positive opinion on the financial statements does not necessarily mean that your internal control systems are all operating effectively. This is because we review only those internal control systems where we feel that failure in those systems could result in a material error on the financial statements. With those systems that we do review, our focus is on the assertions necessary to meet our financial statement audit objectives.

Our review of systems, transactions and balances as well as discussions with staff at various levels gives us a unique insight into your operations. While conducting this work we make note of items that come to our attention where we feel that improvement could be made or alternatives could be considered. We are fortunate in that we work with a great number of clients and observe a wide variety of processes. We see firsthand any procedures that are emerging as best practices.

As matters come to our attention, we make note of these for subsequent follow-up. For minor matters we discuss directly with the staff involved. More important matters are brought forward in this letter (known as a management letter).

It is worth noting that we have management letter comments for virtually all audits of all clients. The existence of points does not mean that there are significant problems with your systems or staff. They are just recommendations to make good systems better.

Status of Prior Year Recommendations

1. Potential Investment of Cash

During the audit, we noted that the Village has accumulated a significant cash balance in the regular business bank account. We recommend that the Village consider investing excess cash in term deposit or GIC to improve the return on its cash holdings.

Management comment

The balance in the Village's operating account grew significantly around the property tax deadline in early July. Some of that tax revenue would have been paid out to other government agencies e.g., the provincial government, for other tax requisitions. Moreover, even if very short term MFA investment instruments were available it is not certain that those instruments would have paid more than our bank rate deposit interest of Prime -

2.25%. Going forward, we will seek to maximize returns on any short term surpluses through appropriate MFA investments.

Current year update

The Village will continue to seek short term investment opportunities to increase interest income while maintaining sufficient funds for ongoing operations.

2. Corporate Credit Card

During the audit, we noted that staff were using their personal credit card to pay for the Village's expenses and subsequently reimbursed by the Village. We recommend that the Village consider obtaining and using its own credit card for the purchase of goods.

Management comment

Staff with purchasing authority have been issued purchasing (credit) cards. A draft procurement policy has been prepared and distributed to staff for comment. The draft policy prohibits staff from using their personal credit cards. This policy will be brought before Council next month for consideration and approval by resolution.

Current year update

On June 21, 2016 Council approved by resolution a procurement policy (Policy No. 2010) which delegates spending authority (with limits) to specific named positions with the organization. Section 6.2 of the policy states: "Goods and services can be purchased using a Village of Tahsis issued purchasing (credit) card or by committing to a purchase in writing and paying on invoice. The Village does not use purchase orders or purchase requisitions. Staff are not to use personal credit cards to purchase Village goods and services"

3. Capitalization Policy

During the audit, we noted that some expenditures, such as the pool cover, were expensed even though they were capitalized in nature. We recommend that the Village consider developing a capitalization policy. A capitalization policy will guide management on which purchases are to be recorded as capital items. The capitalization policy should address matters such as expected useful life of the asset, nature of the expense (i.e. repair or betterment) and a threshold for recording an item as capital.

Management comment

The Village prepared a tangible capital asset policy in 2015. The policy has not been considered or approved by Council resolution. This draft policy will be brought before Council within the next few months for consideration.

Current year update

On June 7, 2016 Council approved by resolution a Tangible Capital Asset Policy (Policy No. 2011)



Current Year Observations

1. Misprinted / Voided Cheques

During the course of the audit, it was noted that there were a significant amount of voided cheques. However, cheques that were voided was not kept and maintained for proper record keeping. It is recommended that all voided cheques are kept in storage so the auditors can review these documents.

Management comment

Management agrees with this recommendation. We will retain misprinted cheques on file for review by auditors.

2. Bank Reconciliation

It was noted that monthly bank reconciliations were not signed by an authorized personnel. This implies that the monthly bank reconciliation reports were not reviewed. It is recommended that all monthly bank reconciliation reports to be signed off as an indication that the report has been reviewed for accuracy.

Management comment

Management agrees that monthly bank reconciliations reports should be reviewed and signed off. Management will develop a planned procedure to capture this internal control step.

3. Record Keeping

On several instances, it was noted that invoices related to purchases and journal entries vouchers were not filed with the relevant journal entry or easily located. We suspect that this is related to the transition of staff during the year. We recommend that the Village review the procedures to ensure there is clear guidance as to where things should be stored and what documentation is required to be attached to journal entries.

Management comment

There were staff transitions during the year, therefore some items may not have been filed correctly.

The Village has developed and implemented appropriate procedures in place to retain and file supporting information.

4. Budget Allocation

Per discussion with management, it was noted that several accounts were incorrectly budgeted (i.e. the budget amount was assigned to a different account). It is recommended that Management perform a detailed review of the budget after it is posted to the general ledger to ensure the amounts align with the past historic details. Otherwise the ability to use the budget as a control mechanism is less effective.



Management comment

Management will review the budget after it is recorded to further quality assurance and strengthen internal controls.

5. Supporting Schedules

On multiple occasions, it was noted that supporting schedules to the trial balance did not agree to the final general ledger account balances. We are not sure whether this is a result of errors, final entries not being posted, or subsequent adjustments. In order to ensure all records tie to the final amounts, we recommend a formal review of the supporting documents and comparison to the final trial balance. In addition, clear documentation of any final adjusting journals entries to be posted and clarification of the posting dates.

Management comment

Management will formally review supporting documents and compare it to the final trial balance to further quality assurance and strengthen internal controls.

While our audit did not reveal any significant misstatements or irregularities, it is important to understand that our audit procedures are designed specifically to gather sufficient and appropriate audit evidence to support our opinion on the financial statements and would not necessarily uncover all errors or fraud, if present.

This communication is prepared solely for the information of management and those charged with governance and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We would like to express our appreciation for the co-operation and assistance which we received from you and your team during the course of the audit.

We are pleased to discuss with you further any matters mentioned in this letter at your convenience.

Yours truly,

Kristine Simpson, CPA, CA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

KLS/mkn

cc: Council

Village of Tahsis
Financial Statements
For the year ended December 31, 2016

Village of Tahsis
Financial Statements
For the year ended December 31, 2016

	Contents
Management's Responsibility for Financial Reporting	2
Independent Auditor's Report	3
Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Financial Assets	6
Statement of Cash Flows	7
Summary of Significant Accounting Policies	8 - 10
Notes to Financial Statements	11 - 19
Schedule 1 - Government Grants and Transfers to the Village and Ratepayers	20
Schedule 2 - Combined Statement of Operations by Segment - 2016	21
Schedule 3 - Combined Statement of Operations by Segment - 2015	22
Schedule 4 - Reserve Fund Transactions	23

Village of Tahsis
Management's Responsibility for Financial Reporting
2016 Financial Statements

May 11, 2017

The Council of the Village of Tahsis 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 Tahsis. 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 executed and recorded in accordance with authorization, and that financial records are reliable for preparation of financial statements.

The Mayor and Council oversee management's responsibilities for the financial reporting and internal control systems. Mayor and Council review internal financial statements on a quarterly basis, and meet periodically with management to satisfy themselves that management's responsibilities are properly discharged. Council annually reviews and approves the financial statements.

The Village of Tahsis' independent auditors, BDO Canada LLP, are engaged to express an opinion as to whether these financial statements present fairly the financial position, financial activities and cash flows in accordance with Canadian public sector accounting standards. Their opinion is based on procedures they consider sufficient to support such an opinion in accordance with Canadian generally accepted auditing standards.

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.

Mark Tatchell
Chief Administrative Officer

Independent Auditor's Report

To the Mayor and Council of the Village of Tahsis

We have audited the accompanying financial statements of the Village of Tahsis, which comprise the Statement of Financial Position as at December 31, 2016, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Village of Tahsis as at December 31, 2016 and the results of its operations, changes in net financial assets and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

Vancouver, British Columbia
May 11, 2017

**Village of Tahsis
Statement of Financial Position**

December 31	2016	2015
Financial Assets		
Cash	\$ 274,403	\$ 446,086
Portfolio investments (Note 1)	2,835,583	3,045,258
Accounts receivable (Note 2)	28,250	50,770
Taxes and rates receivable	199,103	275,181
Investment in Nootka Sound Economic Development Corporation (Note 3)	74,199	79,374
	3,411,538	3,896,669
Liabilities		
Accounts payable and accrued liabilities	99,824	274,718
Deferred revenue (Note 4)	27,766	23,624
	127,590	298,342
Net Financial Assets	3,283,948	3,598,327
Non-financial Assets		
Tangible capital assets (Note 5)	5,101,005	4,950,338
Prepaid expenses	59,408	42,792
	5,160,413	4,993,130
Accumulated Surplus (Note 9)	\$ 8,444,361	\$ 8,591,457

Contingencies (Note 7)

_____ Treasurer _____ Mayor

**Village of Tahsis
Statement of Operations**

For the year ended December 31	Budget 2016 (Note 10)	2016	2015
Revenue (Schedule 2 and 3)			
Taxation, net (Note 6)	\$ 645,209	\$ 662,970	\$ 622,744
Utility connection fees and user fees	311,858	247,624	194,325
Government grants (Schedule 1)	443,733	422,615	426,366
Fees and service charges	115,820	128,536	80,630
Other revenues	32,500	103,226	125,981
	<u>1,549,120</u>	<u>1,564,971</u>	<u>1,450,046</u>
Expenses (Schedule 2 and 3)			
General departmental expenses	1,416,676	1,460,041	1,263,890
Water system operations	93,670	136,688	94,106
Sewer system operations	125,270	115,338	99,666
	<u>1,635,616</u>	<u>1,712,067</u>	<u>1,457,662</u>
Annual Deficit	<u>(86,496)</u>	<u>(147,096)</u>	<u>(7,616)</u>
Accumulated Surplus, beginning of year	<u>8,591,457</u>	<u>8,591,457</u>	<u>8,599,073</u>
Accumulated Surplus, end of year	<u>\$ 8,504,961</u>	<u>\$ 8,444,361</u>	<u>\$ 8,591,457</u>

Village of Tahsis
Statement of Changes in Net Financial Assets

For the year ended December 31	Budget 2016	2016	2015
Annual deficit	\$ (86,496)	\$ (147,096)	\$ (7,616)
Acquisition of tangible capital assets	219,860	(369,200)	(174,003)
Amortization of tangible capital assets	-	218,533	196,034
Acquisition of prepaid expenses	-	(16,616)	(40,293)
Change in net financial assets for the year	133,364	(314,379)	(25,878)
Net financial assets, beginning of year	3,598,327	3,598,327	3,624,205
Net financial assets, end of year	\$ 3,731,691	\$ 3,283,948	\$ 3,598,327

**Village of Tahsis
Statement of Cash Flows**

For the year ended December 31	2016	2015
Cash provided by (used in)		
Operating transactions		
Annual deficit	\$ (147,096)	\$ (7,616)
Items not involving cash		
Equity loss from Nootka Sound Economic Development Corporation	5,175	6,027
Amortization of tangible capital assets	218,533	196,034
	76,612	194,445
Changes in non-cash operating balances		
Accounts, taxes and rates receivable	98,598	(16,317)
Accounts payable and accrued liabilities	(174,894)	100,779
Deferred revenue	4,142	11,616
Prepaid expenses	(16,616)	(40,293)
	(12,158)	250,230
Capital transactions		
Acquisition of tangible capital assets	(369,200)	(174,003)
Investing transactions		
Net increase (decrease) in portfolio investments	209,675	(36,971)
(Decrease) increase in cash during year	(171,683)	39,256
Cash, beginning of year	446,086	406,830
Cash, end of year	\$ 274,403	\$ 446,086

Village of Tahsis
Summary of Significant Accounting Policies

December 31, 2016

The Village of Tahsis (the "Village") is a municipality in the province of British Columbia and operates under the provisions of the Community Charter. The Village provides municipal services such as fire, public works, planning, parks, recreation and other general government services. The Village prepares its financial statements in accordance with Canadian public sector accounting standards using guidelines developed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada.

Investments Portfolio investments are comprised entirely of Municipal Finance Authority (MFA) pooled investments including money market, intermediate and short-term bond funds. The investments are carried at market value which approximates cost.

The investment in Nootka Sound Development Corporation is considered a government business partnership and is recorded using the modified equity method.

Tangible Capital Assets Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all costs directly attributable to acquisition or construction of the tangible capital assets including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is put into use. Contributed tangible capital assets are recorded at fair value at the time of the contribution.

Estimate useful lives of tangible capital assets are as follows:

Roads and bridges	30 to 50 years
Buildings	20 to 40 years
Machinery and equipment	5 to 20 years
Water infrastructure	30 to 50 years
Sewer infrastructure	30 to 50 years
Drainage	30 to 50 years

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

Deferred Revenue Revenues from the sale of business licenses and rental revenues pertaining to the subsequent year have been deferred. These amounts will be recognized as revenue in the next fiscal year.

Village of Tahsis
Summary of Significant Accounting Policies

December 31, 2016

Revenue Recognition Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. 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 affects of these adjustments on taxes are recognized at the time they are awarded.

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

Government transfers, which include legislative grants, are recognized in the financial statements 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. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Sales of service and other revenue is recognized on an accrual basis as earned.

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.

Use of Estimates The preparation of financial statements in accordance 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Areas requiring the greatest degree of estimation include useful lives of tangible capital assets, collection of receivables, and contingencies.

Village of Tahsis
Summary of Significant Accounting Policies

December 31, 2016

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

Management has assessed its potential liabilities, including sites that are no longer in productive use and sites for 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 at December 31, 2016 or December 31, 2015.

Village of Tahsis
Notes to Financial Statements

December 31, 2016

1. Portfolio Investments

	<u>2016</u>	<u>2015</u>
Short-term Bond Funds	\$ 556,277	\$ 533,549
Intermediate	604,636	487,940
Money Market Funds - Municipal Finance Authority	1,674,670	2,023,769
	<u>\$ 2,835,583</u>	<u>\$ 3,045,258</u>

The current yield of the short-term bond fund is 1.28% (2015 - 3.15%), money market funds bear interest at 0.81% (2015 - 0.85%) and intermediate funds have a yield of 1.28% (2015 - 1.28%). All portfolio investments are effectively redeemable on demand.

2. Accounts Receivable

	<u>2016</u>	<u>2015</u>
GST receivable	\$ 8,131	\$ 15,829
Accounts Receivable	22,972	43,511
Allowance for doubtful accounts	(2,853)	(8,570)
	<u>\$ 28,250</u>	<u>\$ 50,770</u>

**Village of Tahsis
Notes to Financial Statements**

December 31, 2016

3. Investment in Nootka Sound Economic Development Corporation

	2016	2015
Cost of investment	\$ 42,090	\$ 42,090
Accumulated net equity income, beginning of year	37,284	43,311
Share of decrease in shareholders' equity during the year	(5,175)	(6,027)
Accumulated net equity income, end of year	32,109	37,284
	\$ 74,199	\$ 79,374

Condensed supplementary financial statement information of Nootka Sound Economic Development Corporation:

	2016	2015
Statement of Financial Position		
Total Assets	235,511	251,454
Total Liabilities	-	419
Total Equity	235,511	251,035
	\$ 235,511	\$ 251,454

Statement of Comprehensive Income

Revenues	\$ 1,544	\$ 2,159
Expenditures	(17,068)	(20,240)
Net loss	\$ (15,524)	\$ (18,081)

Statement of Changes in Equity

Retained Earnings - beginning of year	\$ 110,732	128,813
Net loss	(15,524)	(18,081)
Retained Earnings - end of year	95,208	110,732
Share Capital	140,303	140,303
Total Equity	\$ 235,511	\$ 251,035

Village of Tahsis
Notes to Financial Statements

December 31, 2016

3. Investment in Nootka Sound Economic Development Corporation (Continued)

On February 21, 1996, the Village received approval of the Inspector of Municipalities to acquire shares in the Nootka Sound Economic Development Corporation ("NSEDC"). This corporation was formed by the Villages of Tahsis, Gold River, and Zeballos for the purpose of acquiring and managing a community-based forest licence. NSEDC has been granted a forest license that represents non-replaceable quota of 35,766 cubic metres per year.

The Village holds one of three common shares of NSEDC and 42,090 of 140,300 preferred shares. Each shareholder has the right to elect an equal number of directors to the Board of NSEDC. The Village's investment in NSEDC is recorded on a modified equity basis.

During 2016, the Village received \$nil (2015 - \$nil) in dividends from NSEDC as a result of owning the aforementioned preferred shares and common shares.

During 2016, the Corporation's board of directors resolved to wind up the entity during 2017. Subsequent to year end, the village received dividends of \$13,469, the remaining equity will be distributed once the wind up is completed.

4. Deferred revenue

	<u>2016</u>	<u>2015</u>
Deferred rental revenue	\$ 10,730	\$ -
Prepaid property taxes	6,138	15,287
Other grants	10,898	8,337
	<u>\$ 27,766</u>	<u>\$ 23,624</u>

Village of Tahsis
Notes to Financial Statements

December 31, 2016

5. Tangible Capital Assets

	Land	Buildings	Machinery and Equipment	Roads and Bridges	Drainage	Other	Water Infrastructure	Sewer Infrastructure	2016 Total	2015 Total
Cost, beginning of year	\$ 1,128,861	\$ 4,483,649	\$ 1,781,592	\$ 5,098,508	\$ 259,990	\$ 179,660	\$ 1,659,394	\$ 2,704,959	\$ 17,296,613	\$ 17,122,610
Additions	-	-	15,083	-	-	-	346,930	7,187	369,200	174,003
Cost, end of year	1,128,861	4,483,649	1,796,675	5,098,508	259,990	179,660	2,006,324	2,712,146	17,665,813	17,296,613
Accumulated amortization, beginning of year	-	2,909,142	1,521,231	3,732,333	259,990	145,556	1,096,647	2,681,376	12,346,275	12,150,241
Amortization	-	113,090	27,435	56,599	-	2,155	17,732	1,522	218,533	196,034
Accumulated amortization, end of year	-	3,022,232	1,548,666	3,788,932	259,990	147,711	1,114,379	2,682,898	12,564,808	12,346,275
Net carrying amount, end of year	\$ 1,128,861	\$ 1,461,417	\$ 248,009	\$ 1,309,576	\$ -	\$ 31,949	\$ 891,945	\$ 29,248	\$ 5,101,005	\$ 4,950,338

Village of Tahsis
Notes to Financial Statements

December 31, 2016

6. Taxation - Net

	Budget 2016	Actual 2016	Actual 2015
Taxation			
General municipal purposes	\$ 645,209	\$ 666,350	\$ 622,676
Collection for other governments			
Strathcona Regional District	-	8,500	6,662
Province of British Columbia - school tax	-	182,496	203,657
Comox Strathcona Regional Hospital Districts	-	29,311	33,544
Municipal Finance Authority	-	7	8
British Columbia Assessment Authority	-	2,317	2,768
Vancouver Island Regional Library	-	12,263	12,380
Province of BC - police tax	-	13,990	14,221
	645,209	915,234	895,916
Transfer to other governments			
Strathcona Regional District	-	11,917	6,662
Province of British Columbia - school tax	-	182,465	203,589
Comox Strathcona Regional Hospital Districts	-	29,311	33,544
Municipal Finance Authority	-	-	8
British Columbia Assessment Authority	-	2,317	2,768
Vancouver Island Regional Library	-	12,264	12,380
Province of BC - police tax	-	13,990	14,221
	-	252,264	273,172
Available for general municipal purposes	\$ 645,209	\$ 662,970	\$ 622,744

7. Contingencies

- (a) The Village is responsible as a member of the Strathcona Regional District and a member of the Comox Strathcona Waste Management Function 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.

Village of Tahsis
Notes to Financial Statements

December 31, 2016

8. Pension Plan

The employer and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Plan's 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, 2015, the Plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 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 to the extent there is amortization of any funding deficit.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2015, indicates a \$2,224 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2018, with results available in later 2019.

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.

The Village of Tahsis paid \$49,911 (2015 - \$41,755) for employer contributions to the Plan in fiscal 2016, while employees contributed \$34,877 (2015 - 30,250) to the Plan in fiscal 2016.

9. Accumulated Surplus

The Village segregates its accumulated surplus in the following categories:

	<u>2016</u>	<u>2015</u>
Internally restricted funds for future expenditures	\$ 524,352	\$ 747,791
Unrestricted Funds	1,341,744	1,389,290
Reserve Funds (a)	1,417,852	1,421,587
Investment in non-financial assets (b)	5,160,413	4,993,129
Internally restricted for Gas Tax Agreement		
- Community Works (c)	-	39,660
	<u>\$ 8,444,361</u>	<u>\$ 8,591,457</u>

**Village of Tahsis
Notes to Financial Statements**

December 31, 2016

9. Accumulated Surplus (Continued)

- (a) Reserve funds represent funds set aside by bylaw or council resolution for specific purposes.
- (b) The investment in non-financial assets represents amounts already spent and invested in infrastructure and other non-financial assets.
- (c) The gas tax agreement funds consists of the remaining at December 31, 2016. The unspent amounts will remain in the internally restricted fund until spent on eligible projects.

Details of reserve funds are shown below:

	2016	2015
Capital Works, Machinery and Equipment Reserve	\$ 531,397	\$ 539,437
Fire Hall Reserve	595,306	586,508
Recreation Centre Capital Works, Machinery and Equipment Reserve	267,949	272,442
Economic Development	23,200	23,200
	\$ 1,417,852	\$ 1,421,587

(a) Capital Works, Machinery and Equipment Reserve

The Capital Works, Machinery and Equipment Reserve was established by Bylaw 364 to provide for new capital 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 General Operating Fund surpluses may be transferred into the Reserve Fund.

(b) Fire Hall Reserve

The Fire Hall Reserve Fund was established by Bylaw 400 to provide for the cost of a new fire hall including land, buildings, machinery and equipment. Money from current revenue General Operating Fund surpluses or as otherwise provided in the Local Government Act may be transferred into the Reserve Fund.

(c) Recreation Centre Capital Works, Machinery and Equipment Reserve

The Recreation Centre Capital Works, Machinery and Equipment Reserve Fund was established by Bylaw 418 to provide for the cost of a new recreation centre. Money from current revenue, General Operating fund surpluses, or as otherwise provided in the Local Government Act may be transferred into the Reserve Fund.

Village of Tahsis
Notes to Financial Statements

December 31, 2016

10. Fiscal Plan

The fiscal plan represents the Financial Plan Bylaw adopted by Council on May 17, 2016. The Annual Taxation Bylaw was adopted by Council on May 24, 2016.

The budget anticipated the use of surpluses accumulated in previous years to balance against current year expenditures in excess of current year revenues.

In addition, the budget anticipated capital expenditures rather than amortization expense.

	<u>2016</u>
Financial plan (budget) bylaw surplus for the year	\$ -
Deduct:	
Budgeted transfer to offset amortization	(219,860)
Add:	
Budgeted transfers from accumulated surplus	<u>133,364</u>
Annual deficit presented in the financial statements	<u>\$ (86,496)</u>

11. Segmented Information

The Village is a diversified municipal government institution that provides a wide range of services to its citizens such as general government, protective services, and transportation services. Distinguishable functional segments have been separately disclosed in Schedule 2 and 3. The nature of the segments and the activities they encompass are as follows:

General Government

This item related to the revenues and expenses that relate to the operations of the Village itself and cannot be directly attributed to a specific segment.

Protective Services

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

Transportation Services

Public works and transportation is responsible for the maintenance of roads and outdoor lighting.

December 31, 2016

11. Segmented Information (Continued)

Environmental Treatment Services

Environmental services consists of providing waste disposal to citizens.

Economic Development Services

This department develops outside awareness of the economic area.

Recreation and Cultural Services

This service area provides services meant to improve the health and development of the Village's citizens. Recreational programs and cultural programs are provided at aquatic centre and community centre.

Water Utility

This service provides distribution of water to residents.

Sewer Utility

Provision of sanitary sewer collection by providing and maintaining pipes, manholes, culverts and sewage treatment.

12. Subsequent Disposal

Subsequent to the year end, the Village sold a former decommissioned fire hall for \$33,000.

Village of Tahsis

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

<u>For the year ended December 31</u>	<u>Fiscal Plan 2016</u>	<u>2016</u>	<u>2015</u>
Federal Government			
Grants in lieu of taxes	\$ 29,000	\$ 9,721	\$ 11,193
Province of BC and Federal/Provincial Programs			
General Fund			
Small Communities Protection	301,000	309,834	323,835
Infrastructure and other	113,733	102,054	90,838
	<u>414,733</u>	<u>411,888</u>	<u>414,673</u>
General Capital			
Infrastructure (Provincial)	-	1,006	500
	<u>\$ 443,733</u>	<u>\$ 422,615</u>	<u>\$ 426,366</u>

Village of Tahsis
Schedule 2 - Combined Statement of Operations by Segment

For the year ended December 31, 2016

	General Government	Protective Services	Transportation Services	Environmental Treatment Services	Economic Development Services	Recreation and Cultural Services	Water Utility	Sewer Utility	2016 Actual	2016 Budget
Revenues										(Note 10)
Taxation	\$ 662,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 662,970	\$ 645,209
Utility connection fees and user rates	-	-	-	-	-	-	-	-	247,624	311,858
Government grants and transfers	403,750	-	-	-	19,365	-	136,677	110,947	422,615	443,733
Fees and service charges	94,044	1,093	94,542	-	7,999	33,994	-	-	128,536	115,820
Other revenues	-	-	-	-	-	-	-	90	103,226	32,500
Total revenue	1,160,264	1,093	94,542	94,542	27,364	33,994	136,677	111,037	1,564,971	1,549,120
Expenses										
Operating										
Goods and services	219,341	40,996	149,095	50	50,567	117,885	38,794	84,649	701,377	722,915
Labour	314,030	20,662	128,204	16,895	-	203,037	80,162	29,167	792,157	692,841
Amortization	48,380	15,582	56,599	-	-	78,718	17,732	1,522	218,533	219,860
Total expenses	581,751	77,240	333,898	16,945	50,567	399,640	136,688	115,338	1,712,067	1,635,616
Excess (deficiency) of revenues over expenses	\$ 578,513	\$ (76,147)	\$ (333,898)	\$ 77,597	\$ (23,203)	\$ (365,646)	\$ (11)	\$ (4,301)	\$ (147,096)	\$ (86,496)

Village of Tahsis
Schedule 3 - Combined Statement of Operations by Segment

For the year ended December 31, 2015

	General Government	Protective Services	Transportation Services	Environmental Treatment Services	Economic Development Services	Recreation and Cultural Services	Water Utility	Sewer Utility	2015 Actual	2015 Budget
Revenues										
Taxation	\$ 622,744	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 622,744	\$ 603,000
Utility connection fees and user rates										
Government grants and transfers	403,158						93,441	100,884	194,325	196,600
Fees and service charges				54,970	23,208				426,366	303,260
Other revenues	104,338	130			21,513	25,660			80,630	91,530
Total revenue	1,130,240	130	54,970	54,970	44,721	25,660	93,441	100,884	1,450,046	1,303,200
Expenses										
Operating										
Goods and services	193,678	44,872	97,952	1,434	24,640	98,605	30,872	92,413	584,466	706,220
Labour	276,694	23,805	108,268	13,972		181,581	59,455	13,387	677,162	678,740
Amortization	46,438	17,357	56,600			77,994	3,779	(6,134)	196,034	223,440
Total expenses	516,810	86,034	262,820	15,406	24,640	358,180	94,106	99,666	1,457,662	1,608,400
Excess (deficiency) of revenues over expenses	\$ 613,430	\$ (85,904)	\$ (262,820)	\$ 39,564	\$ 20,081	\$ (332,520)	\$ (665)	\$ 1,218	\$ (7,616)	\$ (305,200)

Village of Tahsis
Schedule 4 - Reserve Fund Transactions

For the year ended December 31, 2016

	Capital Works Machinery & Equipment	Fire Hall	Rec Centre	Economic Development	Total 2016	Total 2015
Balance, beginning of year	\$ 539,437	\$ 586,508	\$ 272,442	\$ 23,200	\$ 1,421,587	\$ 1,340,861
Interest earned	7,013	8,798	2,724		18,535	22,196
Transfer from other funds	-	-	-	-	-	58,530
Used for Capital Expenditures	(15,053)	-	(7,217)	-	(22,270)	-
Balance, end of year	\$ 531,397	\$ 595,306	\$ 267,949	\$ 23,200	\$ 1,417,852	\$ 1,421,587